



U.S. Department of State FY 2000 Country Commercial Guide: Portugal

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I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Portugal's commercial environment using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordination Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

Portugal offers an emerging market within the framework of the European Union. Portugal's emerging market status means new opportunities and high growth rates. European Union membership and participation in the first tier of the monetary union mean stability and continued growth due to EU infrastructure funds. Together they offer U.S. exporters an opportunity to do business with a country that *Business Week* called a "European Tiger" and to export to an expanding corner of Europe--our largest bilateral trade partner.

Since Portugal joined the EU in 1986 its economy has gradually come alive. Portugal has made tremendous strides in the last dozen years. A recent article in *USA Today*, profiling Lisbon, stated that 500 years ago, leading up to Vasco da Gama's discovery of the trade route to India, Portugal was at the center of world discovery and innovation. And then it took a well-deserved rest--for 500 years! Well, this may be a little exaggerated, but ever since Portugal's wake up call the country has been on the move.

Portugal is a great story these days. From a politically and economically isolated nation a decade ago, it has managed to transform itself into a leader at the center of the European and world stage. Just in the past two years it has hosted high-level international meetings (OSCE and NATO), won a non-permanent seat on the UN Security Council, and opened a world exposition. The Portuguese economy is thriving, with record highs in its stock market, low unemployment, and a founding membership in the European Monetary Union of which its leaders are justifiably proud. After years at the periphery of the Iberian Peninsula, Portugal is finally fulfilling its geo-strategic and economic potential as the gateway to a unified Europe - especially Southern Europe and Africa.

Since Portugal's entry into the European Community in 1986, the country has undergone a tremendous transformation. Portugal has successfully parlayed a dozen years of well-managed EU infrastructure funds into strong economic growth, low inflation and substantial new foreign investment in productive capacity. Portugal has increased its standard of living closer to that of its EU partners. GDP per capita on a purchasing power parity basis rose to over 70% of the EU average in 1997 from just over half of the EU average in 1986.

Imports and exports have expanded rapidly and growth during 1997 is expected to be in the 7-8% range for both. Exports have mushroomed over the past decade as Portugal has benefited from the EU open market and the takeoff in imports underscores strong Portuguese demand for foreign goods. The increasing influence of both imports and exports show the rapid integration of Portugal into the global economy.

In agriculture, soybeans are the number one export to Portugal in value terms (USD 83 million in 1997) followed by corn (USD 69 million). Grain exports to Portugal (and the EU) are subject to high tariffs, but the U.S. has access to a special Portuguese 500,000 MT corn quota for non-EU suppliers. Policy problems related to the clearance process for new bio-engineered corn varieties seeded in the U.S. have led to a temporary suspension of corn imports during 1998. Other products that continue to have high market potential in Portugal are cotton, hides and skins (including finished leather).

Larger than it seems

For U.S. firms, Portugal's emergence as a full partner in Europe has meant a stable location open to foreign investment and an increasingly attractive market for exports. Portugal today should be viewed for what it is -- an independent European market of 10 million which is somewhat under-served by

U.S. suppliers since many of these firms have yet to discover the country. As only the 33/34th largest market for the direct export of U.S. goods and services, Portugal does not frequently rank on top of the lists of new markets to explore. But, Portugal does have a number of things going for it that argue for U.S. firms to pay closer attention to the market: significant indirect U.S. imports; strong trade links as the pre-eminent supplier to Lusophone Africa; and the prospect for continued growth stemming in part from ongoing EU investment.

Statistics would have one believe that the U.S. is primarily involved in selling heavy equipment, machinery and agricultural commodities to Portugal. But this is only part of the story. The U.S. offers a strong market presence in high technology including computers, software and telecommunications. The U.S. accounts for more than 50% of the computer equipment in Portugal and probably close to 70% of software. In addition to these items, best prospects for non-agricultural exports include; telecommunications equipment, medical equipment, scientific and laboratory instruments, pollution control equipment, and franchising. Due to transportation, distribution and taxes, many of these goods are shipped to Portugal indirectly from the U.S. arriving from distribution centers or suppliers located in other EU countries. Actual U.S. exports and market share are probably double the official figures of USD 1 billion and 4%, respectively.

Portugal is also the pre-eminent supplier of goods and services to the Lusophone African countries of Angola, Mozambique and Cape Verde. For example, Portugal accounts for more than 50% of Angola's imports. Many of Portugal's key distributors and firms have offices in Africa or travel there on a regular basis. It is not uncommon for 10% of the total market for products in Portugal to actually be accounted for by the re-export of goods to Africa.

EU, Infrastructure and Investment

Scratch the surface of almost any major project in Portugal and you turn up the presence of EU funds. Much of Portugal's strong growth and investment can be attributed to Portugal's membership in the European Union. EU co-funding has been used for a variety of infrastructure, development and training projects. While the funds offer a key boost to continued growth, they also mean that U.S. firms need to deal through their U.S. subsidiaries in Europe or through EU partners to bid on the many EU-funded projects. Although these

projects are not officially tied to any one country, in practice, contracts are awarded only to EU firms and their subcontractors.

Over the period 1997 - 2000, the government will invest some USD 20 billion in regional development projects in virtually every sector of the economy. Portugal will fund two-thirds of the investment, the EU one-third. EU-backed investment will have an impact on a number of major infrastructure projects, including; expressway and railway construction and expansion, the Porto metro, the renovation of the existing bridge over the Tagus River in Lisbon and construction of a second bridge, construction of a nationwide natural gas pipeline, construction of the Alqueva Dam and related irrigation works, and complete renovation and development of a new section of Lisbon as the site for EXPO 98, Lisbon's World Exposition.

EU funds remain instrumental in attracting private direct investment to Portugal. In 1993, Portugal and the EU agreed on a USD 7 billion package of subsidies and grants to encourage foreign investment in industrial development during the period 1994 - 1999. EU-backed incentives, often totaling 25-40% or more of total project costs, have been used effectively as a decisive factor in plant location decisions. These funds were key in attracting the huge Ford/Volkswagen minivan manufacturing plant and in retaining and expanding such high tech facilities as the Texas Instruments/Samsung CPU plant. In addition to the financial incentives, international comparisons show that Portuguese labor costs in manufacturing are among the lowest of all industrialized countries.

Strong and Stable

The political leadership, regardless of whether it is the center right or left, supports broadly similar policies on most issues. The government has been able to guide Portugal with a steady hand due in part to its successful campaign to be in the first tier of countries entering the European Economic and Monetary Union (EMU).

On May 2, 1998, European Union (EU) leaders approved Portugal's membership in the group of eleven EU member states that adopted a single currency, the Euro, on January 1, 1999. Declining inflation and long-term interest rates and rising confidence in Portugal resulted in investment- and private consumption-led real economic growth of 4% in 1998. That growth has slightly decreased to the 3 - 3.5% range in 1999. Portugal's external accounts remained broadly in balance and financial markets were buoyant in 1997 and 1998. Bond yields fell sharply to match their German equivalents and the stock market expanded rapidly. Unemployment declined to 4.8% in the first quarter of 1999. Labor regime rigidities such as high severance and social costs continue to hamper even greater employment growth. Government bureaucracy remains burdensome and commercial legal channels are still very slow.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact Stat-USA at 1-800-Stat-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at <http://www.stat-usa.gov/>; <http://www.state.gov/>; and

<http://mac.doc.gov>. they can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRADE.

For more information on Portugal and on other European markets, visit the Showcase Europe home page at www.sce.doc.gov.

Chapter II: Economic Trends and Outlook

Major Trends and Outlook

Twenty-five years ago, at the time of the Portuguese revolution, Portugal was considered the poor man of Europe. The revolution, which unleashed dramatic political and social changes in the country, has also triggered profound changes to the Portuguese economy. In particular following its membership in the European Union in 1986, Portugal has witnessed an economic convergence with its wealthier European neighbors. Portugal's GDP per capita, which had been only 53 percent of the EU average in 1985, has now risen to more than 70% of the EU average by 1997. Membership in the European Union has also deepened Portugal's trade relations with Europe. Between 1985 and 1998, Portuguese exports to other EU member states rose from 68.7% of total exports to 81.5% of exports. Similarly, Portuguese imports from the EU rose over the same period from 48.8% to 77.2% of the total.

Over the last six years, practically all the economic indicators have been positive. The Portuguese economy has experienced robust economic growth since 1993, driven primarily by investment and by domestic consumption. In 1998, the economy grew at an estimated 3.9%, well above the EU average. Portugal's unemployment rate, currently at 4.8% is also significantly better than those of its neighbors. Finally, over the same period, 1993-1998, the government budget deficit fell from 6.1% of GDP to 2.3% of GDP and direct state debt has fallen to 60.9% of GDP.

Much of Portugal's current economic prosperity is linked to its decision to join the European Monetary Union (EMU). Portugal and 10 other European countries agreed to a monetary union in 1998. Since January 1, 1999, they have tied their currencies to the "Euro" and turned over management of monetary policy to the European Central Bank. Although qualifying for EMU required fiscal and monetary discipline, the steps taken to do so created a virtual circle with exchange rate stability leading to price stability and falling interest rates. Lower interest rates, in turn, stimulated the economy and reduced the government's cost of borrowing, both of which made it fairly easy for the government to reach the fiscal targets required by EMU.

While the benefits have been substantial, monetary union may also give

rise to economic challenges for Portugal. One symptom of the current economic boom is an inflation rate (measured by the consumer price index) higher than that experienced in the rest of the "Euro-zone". Although inflation (2.8%) is still quite low, some economists worry that the differential will ultimately affect Portugal's competitiveness vis-a-vis its European partners. Within the EMU, however, the Portuguese Central Bank can no longer address this slight overheating of the Portuguese economy through monetary policy. The only tool left to policy makers, a tighter fiscal policy, has proven to be a difficult one to employ particularly in an election year.

While the falling interest rates have been a boon to Portuguese consumers, they have also brought a burgeoning level of household indebtedness which concerns some economists. Between 1994 and 1998 household debt, largely in the form of home mortgages, has risen from 28.6% to 60.8% of disposable income and from 21.1% to 44.1% of GDP. While most economists believe that current levels in themselves are not dangerous, the rapid growth in debt is not sustainable. Beyond concerns about sustainability, there is some worry that higher debt levels could exacerbate any future economic downturn. Also, since most of this is "floating-rate" debt, disposable income can be more rapidly affected by changes in interest rates by the European Central Bank. Finally, the greater availability of home mortgage financing has contributed to a run-up in real estate prices which is not sustainable.

Principal Growth Sectors

Over the longer term, Portugal has been in a transition from a largely agrarian and fishing-based economy to one based on manufacturing and services. In 1971, the percentage of the Portuguese workforce engaged in agriculture, forestry, hunting and fishing was 26.2%. By 1998, this had fallen by half, to 13.6%. Over the same period, the percentage of the Portuguese workforce involved in the services sector of the economy rose from 39% to 50.7%. Over the last three decades, the percentage of the workforce engaged in manufacturing has remained steady at about one-quarter of all workers.

From a macroeconomic perspective, over the last three years, the sectors of the economy experiencing the fastest real growth have been banking and insurance (7.5%/yr), construction (6.9%/yr.), and other services (5.1%/yr.). The sector representing trade, and the restaurant and hotel business grew at the same rate as GDP (3.5%/yr.), while growth in agriculture, fishing, energy and the industrial sectors lagged the rest of the economy. The macroeconomic figures may be misleading with respect to future growth areas, however. For example, much of the construction sector growth came during the run-up to Lisbon's international fair, EXPO'98. In addition, recent growth in the bank sector may be related to a possible one-time expansion in household credit in the economy.

Government Role in the Economy

One result of Portugal's 1974 revolution was a state takeover of many of the country's industries. Following accession to the EU, however, Portugal began dismantling its system of state ownership and the country has adopted an

aggressive privatization program. In 1988, the Portuguese public sector accounted for 19.7% of GDP and 5.5% of the country's total employment. By the end of 1997, those numbers had been reduced to 8% and 2.6%, respectively.

The primary privatization mechanism has been to sell shares in these companies, either through a public offering or a private sale, often through a series of allotments involving both. In a number of cases, the government has retained a "golden share" which accords it veto rights over certain corporate decisions. According to the Ministry of Finance, to date, there have been approximately 150 such sales involving the shares of almost 100 companies. Receipts from privatizations have totaled more than \$21 billion since 1989 and 52% of the proceeds have been used for public debt redemption. In 1998, the market capitalization of privatized firms accounted for 58% of the total market capitalization in the Lisbon Stock Exchange.

Additional privatizations are expected in 1999 and future years. In addition to further tranches of the stock of such companies as Portuguese Telecom (telecommunications) and EDP (power generation), there are other large state firms in the initial stages of privatization. These include the state airline, TAP, and a newly-formed energy holding company which will combine the state's interest in natural gas transmission and petroleum refining.

Infrastructure Situation

Portugal's economic growth over the last decade has been accompanied by a heavy investment in infrastructure improvements, largely funded by the EU. From 1987 to 1998, Portugal received net financial flows from the EU of approximately \$24 billion. The greatest portion of these funds were disbursed through the European Regional Development Fund. As a result, the country has made a number of major infrastructure improvements, most notably a system of modern highways. Additional infrastructure projects are expected over the next several years including; a new international airport (to be built at Ota, north of Lisbon), new metro systems in Porto, an upgrade of the country's rail system, a second phase of a natural gas pipeline system and additional highways, dams and port projects.

III. POLITICAL ENVIRONMENT

Nature of Political Relationship with the United States

Bilateral relations between the United States and Portugal are excellent, characterized by shared democratic values and similar foreign policy perspectives. Ties between the two countries are strengthened by the approximately two million Americans who claim Portuguese descent. A charter member of NATO, Portugal is a strong proponent of vigorous bilateral and U.S.-EU transatlantic ties and of active American involvement in European security affairs. The United States has maintained a military presence in the Azores, an autonomous region of Portugal, since World War II.

Major Political Issues Affecting Business Climate

Currently, there are no major political issues which would have a negative effect on Portugal's business climate.

Brief Synopsis of Political System

Portugal is a small country and the oldest nation state in Europe, having essentially established its current borders in the 12th century. As a result, the Portuguese have a strong sense of national identity and regional fragmentation is not a potent political issue here. The country is a stable parliamentary democracy with a directly elected president who wields significant authority, including that of appointing the Prime Minister and the cabinet. The President must be guided by the results of the legislative assembly elections when he appoints the Prime Minister and the Cabinet. The Prime Minister is responsible for managing Portugal's domestic and foreign policy, except in a few issue areas where the constitution gives the president direct responsibility.

In the October 1995 elections, the center-left Socialist Party (PS) won a plurality of 112 out of the 230 seats in Portugal's unicameral legislature, and formed a minority government under Prime Minister Antonio Guterres. Guterres implemented a centrist program of fiscal restraint that continued Portugal's preparation for entry into the European economic and monetary union on January 1, 1999. Guterres increased emphasis on social cohesion, with greater spending on health and education and a nationwide minimum guaranteed income. He also continued his predecessor's program of privatization of major state-owned firms. The next parliamentary elections are scheduled for October 10, 1999.

The Presidential election in January 1996, was won by the Socialist-backed candidate, former Socialist Party leader Jorge Sampaio. For the first time since the 1974 revolution, the presidency and the government are in the hands of a single party. The next Presidential election is due in 2001.

The center-right Social Democratic Party (PSD), was in power from 1985 to 1995, and is expected to be the primary opposition in the upcoming elections. According to current polls the PS could win an outright majority in this year's elections. This limits the PSD's effective margin for parliamentary maneuver. On most crucial issues, PS and PSD policies converge. The old-line Communist Party (PCP), on the left, and the nationalist Popular Party (CDS/PP), on the right, each attract a small part of the electorate (currently less than 10%). All of the opposition parties have at times given tacit or explicit support for policies supported by the PS minority government.

IV. MARKETING U.S. PRODUCTS AND SERVICES

In doing business in Portugal, U.S. business should keep the following points

in mind.

- Local Representative. You need a local representative who must have good contacts in order to be aware of future contracts and to participate in tenders. Portugal is a small country and knowing people in your industry is important.

- Exclusive Distributor. One distributor appointed on an exclusive basis is the ideal.

- The Iberian Peninsula. Portugal and Spain are not one homogeneous marketing area. Normally your Spanish distributor should not be asked to cover Portugal unless the Spanish company is willing to set up a separate Portuguese entity to handle this. The Portuguese resent the assumption that the Spanish know the Portuguese market and Spanish distributors are largely ineffective in Portugal.

- Impact of the EU. If homework has been done for other EU markets it's basically done for Portugal. Many projects are EU-funded so an EU partner is fundamental when bidding on these.

- Slow Down. Business takes time as compared to northern Europe because personal contacts are important. Your customers want to get to know you before they will trust you.

- Business is Honorable. There are relatively few trade complaints. Because the business community is close knit and many distributors are family run operations, trade disputes are few and are normally resolved out of court. But, if you do have to resort to the courts be prepared to wait and wait. The Portuguese legal system is hopelessly slow and is the biggest single cause of unresolved U.S. company trade complaints.

- English is Common. Although Portugal is a European country it looks to the Atlantic and to trade with others. The U.S. is well respected in the market and companies can usually do business in English.

DISTRIBUTION AND SALES CHANNELS

The Portuguese population is concentrated on the coast. The major distribution centers are Lisbon in the South and Porto in the North, though the regional centers of Braga (north of Porto) and Setubal (South of Lisbon) have come much into their own in recent years. The Lisbon region accounts for 21% of Portugal's population with 63% employed in services and 33% employed in industry. Major industries as well as the head offices of many large corporations are located here. Most financial institutions have also chosen Lisbon to locate their headquarters. The Lisbon area has the highest purchasing power in the country and suffers, like many metropolitan areas, from traffic congestion and rising costs. Porto is the most dynamic industrial development area in Portugal. It accounts for 16% of the Portuguese population and is also an area of high purchasing power. Half of all importers and

distributors have offices in Porto and US firms looking to appoint a distributor in Portugal should not overlook this fact. The Commercial Service maintains an office in Porto primarily to locate and to service these distributors. Porto is now connected to Lisbon by a new motorway and a new bridge over the Douro River. The coastal region between these two, and extending into Braga and Setubal, is where the large majority of Portuguese industries are located.

Portugal is a relatively small country and most sales channels cover the entire territory. Distribution centers tend to be located in Lisbon and Porto. However, many large importers and wholesalers have branch sales offices and/or sub-agents or dealers in the principal cities and towns, including those of the Portuguese islands of Madeira and the Azores.

USE OF AGENTS/DISTRIBUTORS; FINDING A PARTNER

American firms interested in selling in Portugal generally start by appointing an agent or distributor. This may be followed by the establishment of local facilities through wholly owned subsidiaries or joint ventures. Most manufacturers/exporters are commonly represented in the market through exclusive importers/distributors who may appoint sub-distributors and dealers.

Generally agent/distributors who operate a sales network that covers the entire country expect exclusive representation agreements. They tend to be quite specialized in their respective market segment. It is often the case that an American firm offering a wide range of products may require representation in the Portuguese market by different local firms depending on the particular product.

Large retail stores and hypermarkets (Jumbo, Continente, Carrefour, Feira Nova, Lidl) are growing very quickly. This may be an alternative sales channel for some products. Some of these organizations buy/import directly and generally do not raise problems of financial/credit reliability.

Portuguese law distinguishes two types of distribution contracts: agency agreements and commercial concession agreements. Generally, relationships established between American and Portuguese companies, with or without a written agreement, meet the requirements of the Portuguese law. However, a good Portuguese agent/distributor respects any informal type of commercial agreement made with his suppliers. As a EU country, Portugal is subject to EU directive 86/653/CEE which protects commercial agents in their relations with the companies for which they work.

The Commercial Service (CS) at the American Embassy in Lisbon can help American exporters find a partner in Portugal. The services offered in Lisbon include all the export assistance core programs of the United States Department of Commerce. They are targeted at the development of sales leads or finding potential partners and have a low cost.

FRANCHISING

The Portuguese franchising market has grown steadily over the past decade and enjoys an annual growth rate of 20-25%. Even though the most developed segment of franchising in Portugal is clothing, the fast-food sector represents about 15% of the total market. Services is currently the fastest growing segment. However, other sectors should be considered, since Portugal offers many opportunities for expansion and the market has considerable room for new, internationally known franchising concepts.

DIRECT MARKETING

Since 1989 mail order and TV-sales have become effective direct marketing methods and have grown rapidly. Between 1996 and 1997 sales growth was estimated at 15% and presently there are 50 direct marketing firms in the market. The most popular direct marketing sectors are cultural, instruction/training and amusement materials (33% of sales) and apparel and clothing (17% of sales). Other successful areas are housewares, perfumes and cosmetics and art/collectible products.

The expansion of this type of marketing has not been greater because Portuguese mailing expenses are still high and consumer confidence in direct marketing methods is low. Portuguese consumer protection regulations and laws are considered adequate, however authorities implementing controls and conducting inspections often fail to do so effectively.

Direct marketing is increasing in importance as a sales method and is expanding every year to new areas of activity including "on-line/Internet" shopping for office supplies and computer accessories and groceries.

JOINT VENTURES/LICENSING

Joint ventures and licensing are alternative ways to enter the Portuguese market. Joint ventures between American and Portuguese firms are treated under Portuguese law as a foreign investment operation which may take the form of any type of business firm. In regards to tax treatment and incentives, both domestic and foreign owned are treated equally and in the same manner.

Special regulations apply to investment in government-owned or jointly-owned companies. State-owned monopolies are being eliminated. Certain sectors will continue to be government-controlled such as mail, water distribution, sewage, rail service, airport and port authorities, and armaments. Telecommunications, except for fixed telephony has been largely privatized and is set for complete liberalization on January 1, 2000.

Licensing is a contractual arrangement in which the licensor makes available or sells its know-how, patents, trademarks or copyrights to a licensee for compensation. Franchising could be considered as an important form of know-how licensing and one which is expanding in Portugal.

American firms should perhaps be reminded of the obvious: as a fully-integrated member of the EU, Portugal abides by the foreign trade and investment rules that govern the rest of the EU. Whatever applies in other EU countries applies to Portugal. If an American firm is mastering EU regulations prior to exporting or investing in the EU, it has already done its homework for Portugal. However, enforcement of some intellectual property rights laws is still weak.

STEPS TO ESTABLISH AN OFFICE

In 1995, the Portuguese Government liberalized foreign investment in Portugal. To establish an office in Portugal, that is, to create a new Portuguese company recognized as such under Portuguese law, may be a process that offers some difficulties to a foreigner. However, it is not so difficult if some simple steps are followed. Any US entity interested in establishing a company in Portugal should visit and discuss the project with both the CS of the American Embassy in Lisbon and ICEP-Portuguese Institute of Foreign Commerce.

Generally, CS-Lisbon recommends that the following steps be taken to establish a company in Portugal with the assistance of a documentation agent (an individual or company specialized in handling administrative procedures to obtain legal documents) or a lawyer:

- Apply for a name (which may be the parent company name in the United States), a certificate of approval and a provisional I.D. card at the RNPC-Registo Nacional de Pessoas Colectivas (National Companies Registry Office).
- Deposit a copy of the company's contract (memorandum and articles of association) at a Notary Public for evaluation.
- Open a bank account in the name of the new company being created and deposit its initial capital (registered capital) in one of the local banks.
- Sign the company's contract at a Notary Public.
- Have the company's contract published in the Official Bulletin (Diario da Republica) and also in a local newspaper.
- File a declaration of activity commencement at the local revenue office.
- Apply to register the company at the RNPC and request a definitive I.D. Card. Register the company also at the Commercial Register (CRC-Conservatoria do Registo Comercial)
- Industrial activities must be licensed by any delegation of the Ministry of Industry co-located at one of the five Regional Coordinating Committees of the national government. Commercial activities generally do not require licensing. For commercial activities related to public health or security a license must be issued by the DGC-Direccao Geral do Comercio (General Directorate for Commerce).

- Register the company at the local Social Security Regional Center.
- Have the company's work schedule approved at the Ministry of Employment and Social Security.
- Register the company's accounts records at the local Revenue Office, at the Court and at the Bankruptcy Office.
- Additional requirements may apply: mandatory insurance, registration of employees at Social Security and the registration of any foreign workers at the Ministry of Employment and Social Security.
- Register investment of foreign capital in Portugal with the Foreign Trade, Tourism and Investment Promotion Agency (ICEP) within 30 days of the date of making investment.

SELLING FACTORS/TECHNIQUES

In Portugal modern techniques still coexist with some traditional practices. Modern sales techniques are generally accepted and effective but traditional values continue to be respected. Many businessmen still consider a personal contact and a handshake stronger than a contract but they will not be offended if a formal contract is asked.

Portuguese consumers have seen their purchasing power increase every year and increasingly buy on impulse. Direct sales, large hypermarkets and shopping malls are becoming common. For consumer goods the decisive selling factors may be price, quality, brand name or the product's innovative features. However, the institutional buyer is quality conscious and very sensitive to pricing. Most tenders consider price first and quality second. These characteristics and its market size sometimes make Portugal a difficult market for some American exporters. A good understanding of market needs and the demand for new opportunities should lead to very profitable niches for the American exporter.

ADVERTISING AND TRADE PROMOTION

As in all Western countries some of the preferred techniques to reach Portuguese buyers effectively are advertising and trade promotions. Portugal offers a reasonably priced market in which to advertise. Advertising media is the same as in the majority of developed Western countries. Newspapers, magazines, TV and more recently advertising in automatic bank teller machines are the most popular.

In Portugal there are a number of specialized international trade shows.

Following are some of the major newspapers and business journals:

- PÚBLICO (daily)
Comunicação Social, SA
Direcção Editorial e Administrativa
Rua Amilcar Cabral, lt. 1
1750 Lisbon, Portugal
Tel: (351-1) 750 10 75
Fax: (351-1) 758 71 38

- DIÁRIO DE NOTÍCIAS, SA (daily)
Av. da Liberdade, 266
1250 Lisbon, Portugal
Tel: (351-1) 318 75 00
Fax: (351-1) 318 75 08

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PRICING PRODUCT

Pricing a product is very important since it influences the evaluation of its attractiveness in this market. Pricing is the most common reason why a number of American products offered in Portugal are not competitive. Pricing of American products as now practiced tends to directly reflect the dealer's price in the United States which often includes marketing overhead that: 1) must be recalculated downwards to properly account for actual expenses in the Portuguese market; 2) must not be a "double-counted" expense that is, the adding of Portuguese marketing expenses on top of "built-in" American marketing expenses.

The most appropriate method of pricing a product for the Portuguese market is marginal cost pricing. This would be the marginal unit cost of production in the United States plus Portuguese market-specific costs associated with overseas promotion, labeling and packaging expenses. To this would then be added a profit margin which, when added to the other pricing components, would still render the product competitive.

Portuguese importers currently accept the more common terms of international trade (C.I.F, C&F., F.A.S., F.O.B. or Ex point of origin). They prefer to receive C.I.F. quotations or at least F.O.B. quotations including detailed product descriptions, gross and net shipping weight, volume and time of shipment (from where the delivery is made) and delivery. Proforma invoices with all the above details are not mandatory but are advisable and desirable.

SALES SERVICE/CUSTOMER SUPPORT

In Portugal there are no rules or current practices regarding sales service/customer support. It is the special nature of the American product or service exported that determines the desirability of this support. However, in representation/agency/distributorship agreements, sharing promotion expenses and cooperating in marketing strategies or technical assistance is desirable.

SELLING TO THE GOVERNMENT

Portugal follows the EU directive to the GATT Procurement Code but has a derogation covering utilities such as water, transportation, energy and telecommunications. Portugal also ratified the decisions of the Uruguay Round, regarding government procurement.

Depending on the amount, government procurement may be made by direct consultation, national, or international tenders. National and international tenders are published in the Portuguese Official Journal (Diario da Republica, Series III) and in the two largest daily Portuguese newspapers. International tenders are also published in the EU Official Journal (Series F).

PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENT

Trademark Protection - Portugal is a member of the International Union for the Protection of Industrial Property (WIPO) and a party to the Madrid Agreement on International Registration of Trademarks and Prevention of the Use of False Origins. Portugal's current trademark law entered into force on June 1, 1995 and is consistent with the terms of the trade related intellectual property provisions of GATT (TRIPS).

Copyright Protection - The Government of Portugal is in the process of amending national copyright legislation to conform to EU directives and the copyright provisions of TRIPS. Unauthorized reproduction of software remains a problem, despite modest success in efforts by the Portuguese Association of Software Distributors (ASSOFT) to discourage piracy and improve enforcement. While the piracy rate has decreased over the last two years, it remains one of the highest in Europe.

Patent Protection - As stated above, Portugal is a member and a party to the Madrid Agreement. The Munich Convention on European Patents went into effect on January 1, 1992. To conform to the trademark and patent provisions of the WTO (TRIPS), Portugal passed a new Code of Industrial Property that took effect on June 1, 1995, but this law proved inconsistent with TRIPS in certain regards. Specific legislation was passed in 1996 extending the term of patents applied for or already in force on January 1, 1996, to the TRIPS-consistent 20-year-from-date-of-filing term. The existing code, however, still does not include provisions to protect test data unless submitted as part of a patent application. Portugal is already engaged in a review of this code and hopes to implement this and other revisions by the end of 1998.

NEED FOR A LOCAL ATTORNEY

Using an attorney is not mandatory to do business in Portugal. Most transactions can be accomplished without an attorney, including the establishment of small non-complex businesses. However, attorneys are recommended to solve some types of trade disputes and for the establishment of local offices such as joint ventures with local entities or as 100% subsidiaries. For some complex types of licensing, representation/distribution and franchising, an attorney is also recommended to assure compliance with local law.

V. LEADING SECTORS FOR US EXPORTS AND INVESTMENT

BEST PROSPECTS FOR NON AGRICULTURAL GOODS AND SERVICES

(USD million, unless otherwise noted)

01 - FRANCHISING

NARRATIVE:

The Portuguese franchising market has grown steadily over the past decade. From the end of 1995 to 1998, the number of franchises has doubled. With a current estimated annual growth rate of 25%, franchising seems to have achieved its best moment in Portugal. At present, there are 300 franchisors operating in the market and the number of franchised units is estimated at 3,600. Even though Portugal is a small market, franchising as a business concept has not yet reached full maturity. U.S. firms have the advantage of internationally known names, but they also need to keep in mind that culture, lifestyle, taste, etc. are different and may need adjustment.

Best Prospects:

- Child care
- Amusement facilities
- Company support services
- Fast-food/restaurants: steak houses/seafood/salads
- Automotive Products and Services
- Maintenance, Cleaning and Sanitation
- Educational Products and Services
- Entertainment
- Apparel/Fashion

Franchises by country of origin:

Portugal	29%
Spain	21%
USA	13%
France	12%
Italy	8%

NOTE: There is no legislation covering franchising. However, one of the first contacts in Portugal should be with the Portuguese Franchise Institute and the Portuguese Franchise Association. In general, market practice and agreement

arrangements are very similar to those in the U.S.

02 - COMPUTER SOFTWARE (CSF)

NARRATIVE:

Portuguese demand for computer software should present positive long-term prospects with the introduction of the latest generation of micro-computers, the development of telecommunications, the interconnection of heterogeneous systems and the creation of valued-added networks.

Portuguese demand for computer software, valued at USD 410 million in 1998, should continue to experience a high growth rate reaching a 17% annual average over the next three years. Seventy-four percent of Portuguese demand is met by imports. Last year U.S. import share was 35% but the estimated real market share for U.S. trade marks, some of which are bought from U.S. companies with branch offices in Portugal or imported from European subsidiaries, is about 75%. Five U.S. companies are among the 10 largest computer software companies in Portugal.

Most promising subsectors within the sector, along with estimated 1999 total market size of each subsector (USD million):

- Business Software (applications for financial institutions, especially integrated financial systems)
- Operative Software (manufacturing applications, CAD/CAM, production control and software for main frames)
- Home Games and other Software

DATA TABLE:

	1997	1998	1999
A) Total Market Size	349	410	479
B) Total Local Production	191	214	220
C) Total Exports	101	103	106
D) Total Imports	259	299	365
E) Imports from the U.S.	91	105	128
Exchange rates (1998)	175		

Import and export statistics for 1998 were provided by SPA - Software Publishers Association, BSA - Business Software Alliance, and the Portuguese Software Association (ASSOFT).

03 - TELECOMMUNICATIONS EQUIPMENT (TEL)

NARRATIVE:

Portugal's telecommunications market offers huge opportunities for investors, service providers and equipment suppliers. Privatization and on-going

liberalization have stimulated the creation of several new services, the start-up of new companies and increased demand for telecommunication equipment. Additionally, the liberalization of the TV sector, the start of a third mobile telephone operator in the middle of 1998, and the likely establishment of a second fixed telephone operator before 2001 will generate even more opportunities for American firms.

The strong performance of the telecommunications industry in Portugal has been a result of improved infrastructure accompanied by a significant decrease in equipment costs, and gradual liberalization of the sector. The primary driver of growth is cellular telephone service which has experienced an average growth rate of 96% since 1992 and has already gained a 25% share of the telecommunications services market.

Growth will continue with increased competition generated by the new Personal communications Network (DCS-1800) and the approval of a new fixed telephone operator expected to take place before 2000. Anticipating the fully liberalized market of 2000, all Portuguese telecommunications companies are making large investments to increase competitiveness.

The equipment market is expected to grow at a remarkable annual rate of 16% from US \$875 million in 1997. Imports constitute 75% of the total market. The US real share is much higher than the 4% reported because most US exports to Portugal are made through other European countries. There are many opportunities for American companies to expand their business in this area.

Most promising Subsectors within the sector and corresponding market size are:

- Cellular terminals
- Switching equipment
- Fixed terminals

DATA TABLE:

	1997	1998	1999
A) Total Market Size:	875	994	1150
B) Total Local Production:	276	280	282
C) Total Exports:	60	63	65
D) Total Imports:	659	777	933
E) Imports from the U.S.:	18	21	27
Exchange rates (1998)	175		

Import and export statistics for 1998 were provided by ICEP-Instituto do Comercio Externo de Portugal (the Portuguese Foreign Commerce Institute). All other statistics are unofficial estimates.

04 - COMPUTERS AND PERIPHERALS (CPT)

NARRATIVE:

The Portuguese market for computers and peripherals (C&P) reached USD \$685 million in 1997, USD \$774 million in 1998 and is expected to increase to USD \$988 million in 1999. Domestic demands must be met by imports which totaled USD \$832 million in 1998 and are expected to continue growing at the high level of 13% per year.

The share of US imports in the Portuguese market for C&P's is about 9%. Competitors include the Netherlands with a market share of 26%, followed by France and Germany with shares of 13% each. It is important to note that much of the equipment shipped from Europe comes from subsidiaries of US companies. The real market share of US C&P's is more than 66%. Very large US multiuser systems dominate their market segment. Four US companies are among the ten largest C&P's suppliers and have about 59% of the market. Demand and imports are expected to continue growing over the next three years with the share of US products experiencing a moderate increase.

Most Promising Subsectors within the sector and corresponding market size (1998 estimate) are:

<u>HS</u>	<u>Description</u>	<u>Value of imports</u> (US\$ millions)
- 84714990	- Multiuser PC systems	97
- 84715090	- Large computers/mainframes	96
- 84716040	- Printers	99
- 84716090	- Input equipment/POS systems	88
- 847330	- Parts and accessories for all types of computers	216

DATA TABLE:

	<u>1997</u>	<u>1998</u>	<u>1999</u>
A) Total Market Size:	685	774	874
B) Total Local Production:	33	37	42
C) Total Exports:	84	95	108
D) Total Imports:	736	832	940
E) Imports from the U.S.:	68	73	87
Exchange rates (1998)	175		

Import and export statistics for 1998 were provided by ICEP-Instituto do Comercio Externo de Portugal (the Portuguese Foreign Commerce Institute). All other statistics are unofficial estimates.

05 - APPAREL (APP)

NARRATIVE:

The textile industry is concentrated in the north of Portugal. It employs about 25% of labor force and is responsible for about 25% of total Portuguese exports overall. Apparel is the most important sector and has grown significantly over the last decade. There are many new clothing chains operating in this market. Portuguese imports are divided into three segments: fashion products (imported mainly from Italy and France); medium-priced good-quality apparel (in which U.S. products generally compete); and less expensive articles (from the Far East). Imports of apparel cover about 17% of market demand. EU countries are the most important suppliers, accounting for about 90% of Portugal's imports. The main European exporting countries are France (24%), Italy (22%), Spain (21%), and Germany (12%). Imports of sportswear from the U.S. are expected to increase at an annual rate of about 15-20% during the next two years.

Apart from being very popular, U.S. clothing has a good reputation among Portuguese buyers and end-users. U.S. manufactured apparel is considered to be durable and of high quality. Franchisers of apparel, mainly casual and sportswear should look to the Portuguese market and the potential it offers. U.S. designers may consider having their clothing manufactured in Portugal and exported from Portugal to other EU countries.

Most promising subsectors within the sector, along with estimated 1999 total market size of each Subsector (US\$ million):

- Casual wear (men, women and children)	<u>1,620</u>
- Sportswear	<u>1,520</u>
- Lingerie	<u>1,350</u>

DATA TABLE:

	1997	1998	1999
A) Total Market Size	5,808	6,380	7,129
B) Total Local Production	6,812	7,485	8,234
C) Total Exports	2,008	2,210	2,320
D) Total Imports	1,004	1,105	1,215
E) Imports from the U.S.	5	6	7
Exchange rates (1998)	175		

Import and export statistics for 1997 were provided by ANIVEC - National Association of Apparel Manufacturers. All other statistics are unofficial estimates.

06- LABORATORY AND SCIENTIFIC INSTRUMENTS (LAB)

NARRATIVE:

Expansion of the market for Laboratory and Scientific Instruments is supported by a healthy growth in the pharmaceutical, food processing and biotechnology industries. Analytical instruments usage is rising rapidly in many areas, including that of pollution monitoring and quality control of industries.

Private testing laboratories, including drug analysis, offer a growing market. On-line analytical instruments are penetrating the traditional process control market as their customers require faster and more accurate data to improve control of product processes for better quality and less waste. Accordingly, there will be an increasing market for U.S. analytical instruments. The U.S. shares about 14% of this market. An average annual growth rate of 5-10% is expected during the next two years.

Most promising subsectors within the sector, along with estimated 1999 total market size of each subsector (USD million):

- Analytical Instruments	<u>93</u>
- Measuring and Controlling Instruments	<u>242</u>

DATA TABLE:

	1997	1998	1999
A) Total Market Size	442	505	555
B) Total Local Production	29	32	35
C) Total Exports	5	7	8
D) Total Imports	418	480	528
E) Imports from the U.S.	60	64	74
Exchange rates (1998)	175		

Import and export statistics for 1998 were provided by ICEP - Investimento, Comércio e Turismo de Portugal (the Portuguese Foreign Commerce Institute). All other statistics are unofficial estimates.

07 - ELECTRICAL POWER SYSTEMS

NARRATIVE:

Portugal imports close to 80% of its energy requirements, the remaining 20% comes from domestic production. Power generation in Portugal is either thermal or hydroelectric. Portugal does not have nuclear power. The Portuguese electricity supply industry was restructured in mid-1994 when the state-owned producer and distributor of electricity, Electricidade de Portugal (EDP) was broken into separate operating groups. The EDP holding group, called Grupo EDP, coordinates the group's operations and strategy; its production company Companhia Portuguesa de Producao de Electricidade (CPPE); a grid company, Rede Electrica Nacional (REN); four regional distribution companies, (divided into north, south, central Portugal and Lisbon, and the Tagus river valley); and ten service companies. 48% of grupo EDP has been privatized, of which the Spanish company Iberdrola acquired 2.25% as the strategic partner. An additional 2.25% of Grupo EDP is reserved for a future second strategic partner. Over a five-year period from 1994/1999, the EU is funding an Energy Program to develop alternative sources of energy in Portugal. The funds allocated to this program total about USD 1.2 billion, composed of

approximately USD 429 million from the EU, USD 36 million from the Portuguese Government, USD 419 million from public companies and USD 320 million from the private companies. The installed capacity at power plants of EDP Group was 23,790 GWh at the end of 1997 of which hydroelectric accounted for 12,256 GWh (52%) and thermoelectric power plants accounted for 11,513 GWh, (48%) of the total). In 1997 Portugal had a total power demand of 32,046 GWh, a 5.7% increase over 1996. Co-generation in Portugal offers major opportunities for growth. In 1997, co-generation units produced 3,605 GWh, of which 826 GWh went to the national grid. Portugal started operating in 1997 a USD 650 million, 500 mile, 28-inch natural gas pipeline that runs from Sines in the south to Valencia in the north. The private company Turbogás operates Portugal's first natural gas-fired power plant at Tapada do Outeiro (northern Portugal).

NOTE: This sector is listed only because it is a regional Best Prospect for the Showcase Europe program.

DATA TABLE (Calendar Years):

	1997	1998	1999
A) Total Market Size:	216	228	250
B) Total Local Production:	39	41	43
C) Total Exports:	32	34	37
D) Total Imports:	209	221	243
E) Imports From the U.S.:	8	8.5	9
Exchange rates (1998)	175		

The above statistics are unofficial estimates.

08 - POLLUTION CONTROL EQUIPMENT (POL)

NARRATIVE:

As a member of the EU, Portugal is required to incorporate into its environmental laws all the EU's environmental directives issued by the European Community, including standards for water and air quality, and urban solid waste treatment and recycling. Demand for environmental products and services has so far been mainly driven by regulations. Polluting firms are modifying their attitude towards the environment. The government is encouraging them to invest in waste minimization, recovery and treatment to develop clean technologies and products. Municipalities are also encouraged to recycle their urban solid wastes. The EU has determined that solid waste collection, removal, and disposal infrastructures must be effectively established throughout the EU before the end of the year 2000. Accordingly, best sales prospects for U.S. exporters include filtering and purifying machinery and apparatus, sensors and analyzers, recycling equipment, and heavy metal collecting equipment. Over the next five to ten years, several billion dollars will be spent on solutions to Portugal's environmental problems. There are plans to provide adequate treatment for about 35% of the national urban solid waste produced. Funded by EU (USD 984 million) and Portuguese national and municipal budgets (USD 260 million), the total cost of solid waste

projects is expected to be USD 1.2 billion. The U.S. shares about 6% of this market. An average annual growth rate of 10-15% is expected during next two years.

Most promising subsectors within the sector, along with estimated 1999 total market size of each subsector (USD million):

- Filtering and Purifying Machinery and Apparatus 137

DATA TABLE:

	1997	1998	1999
A) Total Market Size	146	169	185
B) Total Local Production	25	28	30
C) Total Exports	16	16	17
D) Total Imports	137	157	172
E) Imports from the U.S.	9	10	12
Exchange rates (1998)	175		

Import and export statistics for 1998 were provided by ICEP - Investimento, Comércio e Turismo de Portugal (the Portuguese Foreign Commerce Institute). All other statistics are unofficial estimates.

09 - AIR TRAFFIC CONTROL EQUIPMENT (APG)

NARRATIVE:

Portugal is increasing aircraft, passenger and air cargo traffic at an average rate of 4% per year. Current arrival figures stand at 15.5 million passengers and 148,000 aircraft. This trend has led to the expansion and modernization of existing airports and plans for the construction of a new national airport. The modernization and expansion projects started some years ago and are expected to be completed before the end of 1999 for the Lisbon airport. Expansion of both the airports of Porto and Faro in continental Portugal, and the airports of the Portuguese Islands of Madeira and Azores are still underway.

This will support a growing market for Air Traffic Control Equipment (ATC). ANA - Aeroportos e Navegacao Aerea EP and its affiliate ANAM (Madeira airports) is the public enterprise authority that operates and manages the nine airports in continental Portugal, Azores and Madeira. It is also responsible for two flight information regions, one located in Lisbon and the other in Santa Maria, Azores. These two areas of responsibility of ANA were respectively given to ANA-Aeroportos de Portugal SA, and NAV-Empresa Publica de Navegacao Aerea de Portugal SA, two companies created by the division of ANA. Planning for a new USD 2.1 billion national airport, scheduled to open in 2007 is underway. A recent announcement has confirmed that the new airport will be built in Ota. The Lisbon airport will be operating near capacity by 2007 as a steady 4-5% increase in passenger traffic is projected. ANA EP plans to invest USD 200 million by 2000 in the renovation and modernization of the

international airports of Porto, Lisbon and Faro. The largest investment share, mostly completed, was for Lisbon airport. Approximately USD 40 million will be spent upgrading Faro's airport. Porto's airport will receive USD 36 million. The two new Portuguese airport companies that resulted after the split of ANA are scheduled for privatization in the near term.

In 1998, the ATC equipment market (which includes ground handling and air navigation equipment) in Portugal was about USD 62 million, increasing nearly 10% over 1997's total market of USD 57 million. The import market in 1998 was approximately USD 57 million. It is expected to increase at an average rate of 9% to reach USD 66 million in 2000.

DATA TABLE (Calendar Years):

	1997	1998	1999
A) Total Market Size:	58	62	66
B) Total Local Production	14	15	16
C) Total Exports:	9	10	11
D) Total Imports:	53	57	61
E) Imports from the U.S.	7	8	8
Exchange rates (1998)	175		

10 - AUTOMOTIVE PARTS / SERVICE EQUIPMENT

NARRATIVE:

The total Portuguese market for Auto Parts and Service Equipment was USD 1.36 billion in 1998. An estimated growth rate of 5-6% is expected over the next three years. It should be kept in mind that a large percentage of this is for use by local auto assembly plants.

The Portuguese automobile market exploded six years ago, as a rising standard of living and EU money raised income levels. The market for new automobiles is now relatively flat. Automobile prices in Portugal are among the highest in the EU and the average vehicle on the road is approximately 4-5 years old. However, the Portuguese market for automobile components has good potential and imported equipment is needed. The independent component industry is still relatively unsophisticated with production focusing on the manufacturing of low-tech products. Demand for components is projected to increase especially as the national automotive park ages.

Best prospects:

HS 842123	Oil or fuel filters
HS 851110	Sparkplugs
HS 851180	Motor Diagnosis Equipment
HS 870839	Brakes
HS 870870	Wheels/rubber tires

TRADE BARRIERS

The EU Customs Code (Code) was fully adopted in Portugal as of January 1, 1993. Special tariffs exist for tobacco, alcoholic beverages, petroleum and automotive vehicles. The Code adopts the directives of the General Agreement on Tariffs and Trade (GATT) including the amendments that resulted from the Uruguay Round of which Portugal is a signatory member.

Portugal uses the Harmonized Tariff and Classification System (HS) and applies import duties according to a maximum and minimum rate schedule. The minimum tariff schedule is applied to goods originating in countries entitled to the benefits of most-favored nation treatment (that is, members of the GATT and countries with which the EU has signed trade agreements) including the United States and most other countries.

NOTE: This sector is listed only because it is a regional Best Prospect for the Showcase Europe program.

11 - MEDICAL EQUIPMENT (MED)

NARRATIVE:

As in previous years the health sector continues to be one of the announced priorities for the Portuguese Government. The infusion of structural funds from the European Union constantly supports the reorganization and expansion of this sector. There are several newly built hospitals and construction of new hospitals and clinics continues. The increase of new hospitals creates an exceptional demand for all types of equipment and also adds to regular demand of supplies as well as replacement of instruments and equipment.

The Portuguese market for medical equipment, instruments and supplies is continuously growing at a rate of 0.7% per year. Portuguese production does not meet market requirements and importation should grow slightly faster than total market demand. Government policies and private sector expansion should increase demand for all equipment, supplies and services in this sector, thus creating a promising climate for American exporters.

The US, traditionally perceived as a preferential supplier of dependable top quality products, has a relative advantage among its competitors and is slowly increasing its share of the market. The U.S. share was about 14% in 1997, with Germany and Spain as its principal competitors. Below is a list of the medical equipment/devices of which the U.S. was the number one supplier to Portugal in 1997, and which are considered best prospects:

HS CODE	DESCRIPTION	VALUE
901814	Scintigraphic apparatus	12.4
901819	Electro-diagnostic apparatus	3.9
901839	Medical needles, catheters,	

	canulae and its parts and accessories	6.7
901850	Ophthalmic instruments and appliances	1.3
901890	Instruments and appliances for medical/surgical or veterinary sciences and its parts and accessories	1.5

There is EU harmonized legislation governing the importation of medical devices in Europe. As in other EU countries, it is required that medical devices imported from third countries being sold in Portugal undergo an analysis test by a credited entity in the EU. If devices pass this test, they are marked "CE" and may then move freely and be sold in all countries throughout the EU.

DATA TABLE:

	<u>1997</u>	<u>1998</u>	<u>1999</u>
A) Total Market Size:	214	229	231
B) Total Local Production:	109	115	116
C) Total Exports:	102	111	102
D) Total Imports:	207	225	227
E) Imports from the U.S.:	33	42	42
Exchange rates (1998)	175		

Import and export statistics for 1997 were provided by ICEP-Instituto do Comercio Externo de Portugal (the Portuguese Foreign Commerce Institute). All other statistics are unofficial estimates.

12 - TOURISM (TRA)

Narrative

Statistics for US arrivals rank Portugal 48th in 1997. This is an increase of 10.6% compared to the previous year. In 1997, 62,877 visitors entered the US compared to 56,847 in 1996.

Portugal has a large number of emigrants living in certain areas of the US, thus generating a reasonable amount of Portuguese citizens traveling to those regions. CS Portugal is promoting States that have large Portuguese communities as tourist destinations and is emphasizing tourist attractions in each of those States. The objective is to increase the interest and visits by Portuguese tourists to these attractions when they are in the U.S. CS Portugal works closely with State Tourism Offices and other Tourism entities

and organizes Familiarization and Press trips to the destinations we promote. Current destinations are California, Florida, Louisiana, Maryland, Massachusetts, Nevada, New Jersey and Rhode Island.

NOTE: This sector is listed only because it is a regional Best Prospect for the Showcase Europe program.

13 - DEFENSE ARTICLES AND SERVICES

NARRATIVE:

Note: Although Defense is a best prospect it is not rated since products come from a variety of sectors.

The Portuguese military sector has experienced recent declines in both personnel and spending. Although nominal spending shows an increase, real buying power is down and is holding at less than 5% of the national budget. Because Portugal is in the lower income category of the European Union (EU), it has been the recipient of financial assistance for most major acquisitions. Portugal will continue to try to utilize these programs to the greatest extent possible in the future. Forecast defense spending in 1999 is approx. USD \$2.5 billion. This is 2.3% percent of the GDP and represents a 2% increase over 1998 spending and a 4.5% increase over 1997 spending. Almost 8% of the 1999 defense budget or approx. USD \$194 million is earmarked for procurement.

The defense sector is being reorganized through the creation of a private structure under state ownership. In 1997 the Portuguese Government created a company, Empordef-Empresa Portuguesa de Defesa, SA to hold its 100% ownership of OGMA and INDEP. Through INDEP, Empordef also holds the following interest shares: 51% of SPEL-Soc. Portuguesa de Explosivos (manufacturer of military and industrial explosives), 24% of EID (Electronics investigation and development), 33% of EDISOFT (software development) and 8% of NOVEMBAL (manufacturing and marketing of packaging products). Empordef's charter centers on a five-year investment and development plan for Portuguese defense industries. It is the decision-maker for the investments required for the modernization and expansion of defense industry. Privatization in this sector is also being discussed. But while nothing has been decided regarding privatization of OGMA or INDEP, the smaller non-military participations gained through INDEP are expected to be sold out soon.

The greatest opportunities for American businesses are in cooperative production in Portugal. America's reputation for low prices, high quality and large market share make it a valuable business partner. As the emphasis continues on unity within the European Union, the barriers to U.S. access to this market will grow. But Portugal could still be the gateway through which American firms gain access to the much larger European market.

In order to stretch limited budget resources, new systems acquisitions will be tightly controlled with financial incentives remaining a key part of the negotiation. There will be an ongoing need for logistic support in addition to

periodic planned upgrades. Major planned or desired acquisition and upgrade projects are listed below by service:

- Army: Field artillery and air defense artillery with associated radar, electronic targeting and communications equipment; light to medium lift helicopters; Wheeled armored vehicles; and battlefield and weapons simulation equipment.
- Navy: Submarines, torpedoes, missile system improvements, shipboard self defense systems, equipment upgrades for marines, hydrographic/oceanographic outfitting for a new hydrographic ship, communication enhancements, and transport logistics multipurpose ships.
- Air Force: Mid life updates for two squadrons of F-16 aircraft. AMRAAM missiles, ground radar updates, aircraft anti-missile warning systems, P-3 fleet upgrade, SAR helicopters, transport aircraft fleet replacement/upgrades.

BEST PROSPECTS FOR AGRICULTURAL PRODUCTS

(1,000 Metric Tons)

- SOYBEANS

NARRATIVE:

Soybeans are the number one U.S. agricultural export to Portugal in value terms (83 million USD during CY-1997). The level of imports will be up in CY-1998, stimulated by competitive prices as well as a strong demand for oilmeal from the feed sector. U.S. sales are affected by the level of prices of South American beans. Brazil is the leading competitor (317,000 Mt in CY 1997).

DATA TABLE (Calendar Years):

	1997	1998	1999
	Units: 1,000 M.T.		
A) Total Market Size:	615	700	780
B) Total Local Production:		0	0
C) Total Exports:	9	10	11
D) Total Imports:	624	710	791
E) Imports from the U.S.:	275	313	349

Trade statistics for CY-1997 were provided by INE - National Statistics Institute. All others are unofficial estimates.

- CORN

NARRATIVE:

After soybeans, corn was the number two CY-1997 U.S. agricultural export to Portugal (69 million USD). Grain exports into the EU are subject to high tariffs, but the U.S. has access to a special Portuguese 500,000 MT corn quota for non-EU suppliers, under which the 1997 and past years' exports took place.

Policy problems related to the clearance process of new bio-engineered corn varieties seeded in the US have led to a temporary suspension of corn imports from the U.S. during CY-1998. Trade with the US will revert back to its previous level as soon as the EU has developed a speedier process of clearing new seeds varieties. The local feed industry has a marked preference for U.S. corn, which supplied 100% of the market till Portugal joined the EC in 1986 and virtually all of the market under the special quota until the political problems of 1998. France is the major competitor (454,000 Mt in CY-1997).

DATA TABLE (Calendar Years):

	1997	1998	1999
	Units: 1,000 M.T.		
A) Total Market Size:	1,896	2,030	2,050
B) Total Local Production:		815	830
C) Total Exports:	2	2	2
D) Total Imports:	1,083	1,202	1,222
E) Imports from the U.S.:		491	0
			500

Trade statistics for 1997 were provided by INE - National Statistics Institute. All others are unofficial estimates.

- CORN GLUTEN FEED (C.G.F.)

NARRATIVE:

C.G.F. is an important agricultural product for U.S. exporters, even if current corn price trends have been displacing CGF in feed production. Moderate reductions in CGF imports are anticipated for CY-1998 and CY-1999 as a consequence of the higher 1997 and 1998 EU corn crops. The U.S. is virtually the only supplier of this product, which totaled 69 million USD in CY-1997.

DATA TABLE (Calendar Years):

1997	1998	1999
Units: 1,000 M.T.		

A)	Total Market Size:	537	510	500	
B)	Total Local Production:	0	0	0	0
C)	Total Exports:	11	11	11	
D)	Total Imports:	548	521	511	
E)	Imports from the U.S.:	534	508	498	

Trade statistics for 1997 were provided by INE - National Statistics Institute. All others are unofficial estimates.

SIGNIFICANT INVESTMENT OPPORTUNITIES

As Portugal rapidly integrates into the EU and Portuguese economic development approaches the level of other economies in the Union, the number of business opportunities increases and the country becomes a more attractive destination to exporters and investors.

Importation will grow because industrial modernization requires a large volume of machinery, equipment and instruments and consumers require more and better products. Inter-EU import duties have ended. Import duties vis-a-vis third countries have been reduced to EU levels.

Given the priorities of the EU and the Portuguese government in the spending of structural funds and considering where U.S. companies have a clear technological and industrial edge, the following sectors are the most attractive:

- telecommunications
- environmental pollution control/ waste management
- health systems and medical equipment
- computers and peripherals, software
- energy conservation
- seafood
- laboratory equipment
- franchising
- upscale tourism
- port renovation

VI. TRADE REGULATIONS AND STANDARDS

TRADE BARRIERS

The EU Customs Code (Code) was fully adopted in Portugal as of January 1, 1993. Special tariffs exist for tobacco, alcoholic beverages, petroleum and automotive vehicles. The Code adopts the directives of the General Agreement on Tariffs and Trade (GATT) including the amendments that resulted from the Uruguay Round of which Portugal is a signatory member.

Portugal uses the Harmonized Nomenclature and Classification System (HS) and applies import duties according to a maximum and minimum rate schedule. The minimum tariff schedule is applied to goods originating in countries entitled to the benefits of most-favored nation treatment (that is, members of the GATT and countries with which the EU has signed trade agreements) including the United States and most other countries.

Most import duties are levied on an ad valorem basis. However, specific tariffs and compound tariffs (the basis for weight may be gross, legal net or actual net weight) are also used for some imports. Please note that importers must pay the value-added tax (IVA) which ranges up to 17% in full at the time of importation from a non-EU country. Imports from EU countries only pay the IVA when a product is sold. This detail encourages many distributors to import indirectly from the U.S. via other EU countries.

CUSTOMS VALUATION

The customs value of imported goods is found by a set of six methods. The most commonly used customs value is the "transaction value method", which is the sales price in open market conditions when the product is sold in EU Customs Territory. If this method cannot be applied the others may be successively used, the sixth being a last resort. The "transaction value method" is based on the price actually paid by the importer to receive the merchandise in EU territory (no matter the port of entry).

The invoice price is generally used as the "transaction value method" of an import if it is clear that the price reflects market conditions and no doubt exists as to the accuracy of the details supplied. The transaction value method is usually the CIF price including any brokerage commissions and packing and excluding any duties payable in Portugal or EU countries.

IMPORT LICENSES

Because Portugal is a member of the EU, the majority of imported products enjoy liberal import procedures. However, there are certain products which require import licenses called import certificates for agriculture products and international import certificates for strategic/dual use products (products that may be used for both military and civilian purposes). For dual use products a certificate of delivery may also be required. There are also some licenses required for the import of textile products and for some industrial products from certain countries although not from the United States. Applications for import licenses should be submitted to the General Directorate of External Commerce. Tobacco, alcoholic beverages and automobiles are still subject to some import controls, generally resulting from bilateral agreements.

EXPORT CONTROLS

Since May 1988 Portugal has adopted EU directives regarding exportation. Presently, Portuguese exporters need to obtain an export declaration (this is a simplified procedure generally handled by a customs house broker) before they ship their merchandise. The export declaration is used for Portuguese Customs purposes but one copy should stay together with other export documentation.

In principle, the export declaration cannot be obtained without a receipt of deposit confirming that the merchandise is physically deposited in a customs area or an export warehouse. Export warehouses are approved by Customs authorities and generally facilitate the process of exporting. They do so by issuing export declarations as soon as the exporter informs the Customs authorities that the merchandise is available, and by making said merchandise available for Customs inspection.

Portuguese Customs regulations have recently approved the implementation of simplified export proceedings. This allows authorized exporters, exporters of perishables and express mail operators to export merchandise directly from their establishments. They are only required to present a commercial invoice to the Customs Authorities. The deposit of a guarantee is no longer required for exporters to have access to simplified export procedures.

IMPORT/EXPORT DOCUMENTATION

The following documents are required for ocean or air cargo shipments to Portugal: a bill of lading or an airway bill accompanied by commercial invoices.

Certain products require special documents: food products need a certificate of health in Portuguese; electric materials and construction equipment/machinery need a certificate of conformity to EU directives; grapes, alcoholic beverages and tobacco need a certificate of authenticity. Certificates of origin may also be required if the origin can in any way be attributed to a country subject to quantitative or other restrictions.

Bills of Lading and Airway Bills - Bills of lading and airway bills require no consular legalization. However, these documents should, if possible state the origin. "To order" bills of lading are acceptable if they bear the shipper's endorsement. Two copies of the document used in Portuguese or English are required.

Commercial Invoices - Portuguese Customs requires two copies of commercial invoices, but at least one additional copy should be provided to the importer. Commercial invoices should have an accurate and specific description of the goods with Free On Board (F.O.B.) value followed by an itemized description of expenses or Cost Insurance and Freight (C.I.F.) value. The invoice should indicate the country of origin. If the invoices are intended to certify the origin of the goods, they must have a certification by a chamber of commerce (or by U.S. Customs or port authorities).

In cases involving commodities that have undergone industrial transformation not representing full process of manufacture in the country of origin, or which have passed through free ports or zones, the respective commercial invoice shall bear notation issued by the Portuguese Consulate having jurisdiction in that area.

Certificate of Origin - Certificates of origin are not required on direct shipments (ocean, air or parcel post) or for goods transshipped via a waybill in which the origin is stated. For shipments not covered by a commercial invoice, a through bill of lading or air waybill stating the origin must be accompanied by a certificate of origin if the origin can be attributed to one country being subject to quantitative or any other restrictions. Certificates of origin forms are obtainable from Portuguese consulates or authorized Chambers of Commerce. Certificates must be authenticated by an authorized Chamber of Commerce or the Portuguese consul, upon presentation of satisfactory evidence of origin, either at the port of original shipment or the port of transshipment.

TEMPORARY ENTRY

Foreign goods may enter Portuguese territory under temporary duty-free admission. Temporary entry can be allowed for goods in transit, for manufacturing, for temporary storage in bonded warehouses or for temporary importation. Generally, temporary entry of goods requires the deposit of a guarantee for import duties and VAT. However, in some cases, exemptions and partial guaranties can be made. In transit merchandise can be entered without guarantee by residents of the EU who make regular entries in transit or under carnet TIR, carnet ATA or a NATO 302 form. Guaranties are reimbursed when the merchandise leaves the territory of the EU. Professional materials, merchandise to be presented in exhibitions, teaching materials, medical/surgical and laboratory equipment, and other materials listed in the EU customs code can be temporarily imported duty-free under a carnet ATA. Temporary importation allows the merchandise to stay in the EU territory as foreign merchandise for a period of 24 months.

LABELING, MARKING REQUIREMENTS

Generally, all products must be marked according to EU directives.

Imported goods need to be marked with an indication of origin. The indication "made in" is no longer accepted in Portugal. All imported products sold directly to the public must be marketed with the label "Fabricado em" which is the Portuguese translation of "Made in". False indication of origin is prohibited.

Generally all products directly sold to the public must have their labels or markings translated into Portuguese especially the composition and usage instructions and should indicate clearly its validity and the name and address

of the importer.

There may be special requirements for some products such as pharmaceuticals, detergents, tobacco, fertilizers, alcoholic beverages and foodstuffs containing preservatives and colorings. There are also special requirements for the packaging and labeling of dangerous or toxic products.

Jewelry and other articles of gold, silver or platinum must be assayed and hallmarked in Portugal by the assayer's office in Lisbon or Porto. The importation of these articles is limited to those firms or persons registered in the assayer's office.

There are no special requirements for marking the outside of cases for shipment to Portugal except that weights, when marked, should be in kilograms. Dangerous products must be marked according to the instructions of the UN.

PROHIBITED IMPORTS

As an EU country Portugal follows the EU Customs Code and has no prohibited imports. However, some products are subject to very strict controls such as strategic products, wildlife, hazardous articles, non-sport firearms and ammunition, etc.

STANDARDS (E.G. ISO 9000 USAGE)

Portugal uses NP EN ISO 9000 Standards, which are equivalent to ISO 9000 standards. American exporters must demonstrate through a certifying entity that the products offered meet equivalent quality standards. On July 2, 1983 the legal framework for the "Portuguese Quality System" was established to monitor quality methods in Portugal. The "Portuguese Quality System" is organized in three areas: metrology, normalization, and qualification. The IPQ (Portuguese Institute for Quality) certifies standards in Portugal and is one of the entities responsible for the "Portuguese Quality System".

FREE TRADE ZONES/WAREHOUSES

Madeira: The Madeira's International Business Center includes an Industrial Free Zone (41 licensed firms), a Financial Services Center (43 licensed bank branches), an International Services Center (2,833 licensed firms) and an International Shipping register (148 licensed firms). Madeira offers exemptions from corporate or individual income tax on licensed companies through the year 2011. It also offers grants of up to 100% of employee training costs and up to 50% of the cost of energy-saving changes in production measures. The Free Zone offers total exemption from customs duties on goods and raw materials imported into the zone; exemption from quotas on exports to the EU of goods produced in the zone; no payment of EU duties on local value-added; and no payment of EU duties on products incorporating EU

raw materials and components. Foreign-owned firms have the same opportunities as domestic firms.

Azores: The Azores has established a Free Trade Zone on the island of Santa Maria with tax and financial incentives.

Bonded warehouses: Foreign products may be entered into Portugal and be stored in bonded warehouses duty-free for an unlimited period of time. There are five types of bonded warehouses depending on its public or private nature and whether its management is endorsed by the Customs authorities or by private entities (established in the territory of the EU). In some bonded warehouses it is possible to do some handling, assembling and or manufacturing of the stored goods.

SPECIAL IMPORT PROVISIONS

Advanced rulings on classification: Advanced rulings on tariff classifications for each type of product may be obtained upon request, in writing, to Customs at Porto or Lisbon. The request should include the name and address of the person who wants the ruling plus detailed descriptions, composition, applications of the product and as well as samples duly packed and labeled or photographs, plans or catalogs. The nomenclature on which the classification is desired, the suggested classification and other information necessary for an adequate ruling may also be supplied.

An advanced ruling may lose validity if it is no longer compatible with new regulations or with new interpretation of the nomenclature used and this information is given to the holder of the ruling. There may a postponement (of up to six months or the period of validity of any import certificate issued) of the loss of validity of an advanced ruling -- for duty determination purposes or calculation of quantity restrictions -- if import/export contracts have already been made or certificates of importation have been issued.

Entry and reexport: Foreign merchandise landed in Portugal must be declared for importation or temporary entry into the EU territory within a period of 45 days if landed by sea or 20 days if landed by air or from land. After arrival, if the merchandise cannot be immediately declared to customs because documentation is missing or because of any other reason, it will be stored ex-officio by the port authority in temporary storage customs warehouses, the cost of which is variable according to the nature of the merchandise. Any merchandise may be reshipped out of EU territory either before or after customs clearance. Normal reexportation is made when the merchandise is entered under one of the temporary entry regimes. Reexportation may be done after submission of a special customs declaration.

Samples and advertising materials: As an EU country and member of the Convention to Facilitate the Importation of Samples and Advertising Matter, Portugal grants duty free entry to giveaway samples properly labeled (except Tobacco and Matches), up to a duty value of 175 ECUs and up to a VAT (value added tax) value of the same amount.

Samples for which the duty is greater than these amounts may also be admitted duty free if they are intended for exhibitions, conventions or similar events, or other promotional purposes that justify the quantity being imported. The person making the declaration should provide justification for the larger quantity.

Samples are subject to the same documentation requirements that apply to ordinary commercial shipments and require a symbolic value for customs declaration purposes on the shipping documents or commercial invoices.

Catalogs, price lists, brochures, pamphlets may also be entered duty free under the same conditions as the samples, if the name of the manufacturer/seller is readily apparent.

Duty refund: Once goods have been cleared through customs, collected duties or excess payments may be refunded if at the moment of payment they were not due. Refund for undue and excess payments can be claimed within a period of three years. Refund of duties can also be obtained if a customs clearance declaration is cancelled after the payment of duties. If imported merchandise is defective or does not meet the contracted specifications and is refused and re-exported by the importer, he may request a duty refund within a period of 12 months.

There are other conditions, defined by the EU Committee, under which paid import duties may be refunded. All refunds must be requested by the interested parties.

Drawback: Importers may take advantage of "drawbacks" for all types of merchandise, except those subject to quantity restrictions or any agricultural leveling duty or similar imposition when the merchandise was cleared. Drawbacks allow the reimbursement of any duties paid on raw materials, parts, or components imported for the manufacture of a product in country for later exportation. This will be possible only if there are no restrictions to the exportation of the products that resulted from the imported merchandise and that the intended exportation took place.

VII. INVESTMENT CLIMATE

OPENNESS TO FOREIGN INVESTMENT

The Portuguese Government welcomes foreign direct investment as an integral part of its strategy to modernize the economy. It promotes investments through a government agency, ICEP (Investimentos, Comercio e Turismo). Portugal maintains a simple, post facto registration regime for foreign investment. For investments on the Portuguese mainland, foreign investors need only register with ICEP within thirty days from the day they make their investment. For investments in Madeira or the Azores, investors need to register with the Regional Secretariat of Planning and Finance.

Under Portuguese law, foreign direct investment is defined as an act or contract which obtains or increases enduring economic links with an existing Portuguese institution or one to be formed. In addition to the usual definitions of investment, these acts can include long-term loans (5 years or more); subscription for acquisition of 10 percent of a Portuguese company; acquisition of shareholdings in a Portuguese company in which non-residents hold at least 20 percent of the share capital; or other types of transactions, such as supplemental capital contributions or technical agreements in which the licensor holds the capital of the Portuguese licensee.

According to ICEP, foreigners are allowed to establish themselves in all economic sectors open to private enterprise. However, investments which may affect public health or security or which relate to the arms industry require the prior approval of government authorities. Also, Portugal restricts non-EU investment in regular air transport to 49%. It restricts non-EU investment in television operations to 15% (by a single non-EU investor). It subjects complementary telecommunications services to licensing and restricts non-EU investors' participation in the capital of complementary telecommunications operators to 25%. Portugal also restricts foreign investors' participation in the capital of public service telecommunications operators to 25%. The government has proposed legislation to modify some of these restrictions.

Finance/Insurance: The creation of new credit institutions or finance companies, acquisition of a controlling interest in such financial firms, and establishment of subsidiaries require authorization by the Bank of Portugal (for EU firms) or the Ministry of Finance (for non-EU firms). In both cases, the authorities take prudential considerations into account, but in the case of non-EU firms, the Ministry of Finance also considers the impact on the efficiency of the financial system and the internationalization of the economy. Foreign insurers from non-EU countries seeking to establish an agency in Portugal must post a special deposit and financial guarantee and must have been authorized for such activity for at least five years.

Foreign Workers: Foreigners who want to work in Portugal are required to obtain a work permit and a residence permit. Companies employing more than five workers must limit foreign workers to 10% of the workforce. Companies can request exceptions to this limit if the foreign workers have special technical expertise. Workers from other EU countries are not included in this limitation. EU workers must obtain a residence card for EU nationals but are not required to have work permits. Non-EU workers are required to have both a residence visa and a work permit.

CONVERSION AND TRANSFER POLICIES

Portugal maintains no current or capital account restrictions. On January 1, 1999, Portugal joined with 10 other European countries to form the European Monetary Union which has adopted a new single currency, the Euro. During a transition period, the Portuguese Escudo will continue to be used alongside the Euro, but the exchange rate has been fixed at 200.482 escudos equals 1.0 Euro.

EXPROPRIATION AND COMPENSATION

There have been no cases of expropriation of foreign assets or companies in Portugal in recent memory, nor is there concern for future expropriation. At least one U.S. firm, however, claims that the retroactive application of environment/zoning standards denied it the right to build a hotel on property purchased for that reason.

DISPUTE SETTLEMENT

Major industrial disputes involving foreign firms and investors are rare. Portuguese courts have been the main formal means of resolving such disputes and enforcing property and contractual rights. Many foreign (including U.S.) firms and investors consider Portuguese courts slow and ineffective. These firms routinely seek assistance from private lawyers, lobbyists and/or their Embassies in Lisbon to resolve disputes through direct appeal to the appropriate government authorities.

International Arbitration: Portugal accepts binding arbitration of investment disputes between foreign investors and the state. It is a member of the International Center for the Settlement of Investment Disputes (ICSID), also known as the Washington Convention and/or the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

PERFORMANCE REQUIREMENTS/INCENTIVES

Portugal offers a number of incentives to foreign investors. From 1994 to 1999, the country benefited from the "Segundo Quadro Comunitario de Apoio - or QCA II" which provided significant tax and financial incentives funded by the European Union. These incentives focused on foreign investment projects greater than 5.0 billion Portuguese escudos (about 27 million US dollars at current exchange rates) which contributed to innovation and modernization of Portuguese industry. These incentives included interest free loans, cash grants, tax incentives and exemptions from social security contributions.

Based on the results of the agreement reached on the EU's "Agenda 2000" in Berlin, EU funding will continue to be available for these programs for the period 2000-2006. While the details of QCA III are still being worked out, it is anticipated that the incentives will be very similar to those of QCA II. Based on the currently proposed structure of QCA III, the following estimated amounts are projected to be available for the period 2000-2006. (Note: Figures are million US dollars, assuming an average exchange rate of 185 escudos/dollar; figures may not add due to rounding.)

Structure of QCA III

Objective 1: To promote the level of qualification of Portuguese workers, promote employment and social cohesion.

Education

1,745 million US

Training, employment and social development	2,486
Science, Technology and Innovation	524
Information Society	324
Health	838
Culture	286
Sports	162
Total	6,367

Objective 2: To alter the Productive profile towards Activities of the Future
Agriculture, Rural Development and

Fisheries	2,432
Environment	3,486
Total	5,918

Objective 3: To enhance Territorial value and Portugal's Geo-Economic
position.

Accessibility, Transportation and Communication	2,881
Environment	535
Total	3,416

Objective 4: To promote sustainable development of the regions and national
cohesion

Total	4,811
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Taxes: Portugal has one of the lowest corporate tax rates in the EU. The normal rate is now 34% (versus 36% before), with an additional municipal tax in certain areas of up to 3.4%. U.S. companies benefit from the U.S. - Portugal tax treaty, which protects U.S. investors from double taxation and extends exceptional tax reductions on profits and capital gains to investors. It reduces the withholding tax rate for the Portuguese-source income of non-residents to 15% for dividends and 10% for royalties and interest.

Special Regime: Portugal maintains a special contractual investment regime for major projects (over PTE 5,000 million/USD 30 million) that involve investment in an internationally mobile production unit. Under the special regime, foreign investors negotiate financial and tax incentives directly with the Portuguese authorities -- usually ICEP and the Ministry of the Economy. EU authorities must also approve all projects involving EU funding. Foreign investors seeking incentives under the special regime must sign contracts committing them to specific performance targets -- for employment, exports, local content, technology transfer and/or training. Investors are required to share proprietary information relating to these performance targets in order to renew or expand the incentives. The government plans to maintain these incentive programs as long as EU funding for them is available and other countries use them.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Private Ownership/Enterprise: Private ownership is limited to 49% in the following sectors: basic sanitation (except waste treatment); international air transport; railways; ports; arms and weapons manufacture; and airports. The government requires private firms to obtain concessions, contracts, and licenses to operate in a number of sectors (public service television, waste distribution, waste treatment), but grants these on a non-discriminatory basis. Foreign firms have the right to establish themselves in all economic sectors open to private enterprise. Foreign investments that affect public health, order or security, or which relate to the arms industry, require prior approval of the competent authorities.

Competitive Equality: Competitive inequalities between public and private firms have been reduced in recent years. In the financial sector, private banks that have grown through mergers and acquisitions now compete on equal footing with the remaining public bank. State-owned entities still maintain competitive advantages in airline transport and telecommunications.

Privatization Program: Portugal is completing the last phases of a wide-ranging privatization program that has generated \$21.5 billion in proceeds between 1989 and 1998. The government used more than half of the proceeds to reduce public debt. In 1988, public companies accounted for 19.7% of Portuguese GDP and 5.5% of total employment. Through its privatization program, those figures had been reduced 8% of GDP and 2.6% of employment by the end of 1997. It reduced total employment in the state-owned sector to 2.8% of total employment from 6.4%. Additional privatizations are planned for TAP-Air Portugal, an energy "holding" company which will combine Gas de Portugal with the state-owned refiner, Petrogal, the Portuguese Airport authority, and the agricultural giant EPAC.

PROTECTION OF PROPERTY RIGHTS

Patents: Portugal is a member of the International Union for the Protection of Industrial Property (WIPO) and a party to the Madrid Agreement on International Registration of Trademarks and Prevention of the Use of False Origins. The Munich Convention on European Patents went into effect on January 1, 1992. Current Portuguese law extends the terms of patents applied for or already in force on January 1, 1996, to the WTO TRIPS-consistent 20-year-from-date-of-filing term.

With regard to intellectual property protection, existing Portuguese legislation fails to comply with a number of specific provisions of the WTO TRIPS Agreement. The Portuguese government is aware of these deficiencies and has been engaged in a lengthy review and revision process, but no revisions have been approved to date.

TRANSPARENCY OF THE REGULATORY SYSTEM

Competition Law: Portugal's revised competition law (Decree-Law 371/93 of October 29, 1993) brought Portuguese legislation into line with European Union

standards and the needs of an open economy and integrated markets. The law has helped to improve competitive conditions for consumers in some areas.

Nevertheless, one of the most common complaints by American companies wishing to invest in Portugal is the abundance of bureaucratic red tape. Decision-making tends to be overly centralized and obtaining government approvals or permits can be time-consuming and costly, particularly for small- and medium-sized foreign investors and entrepreneurs. Some U.S. firms report substantial delays and red tape in accomplishing such basic tasks as registering companies, filing taxes, receiving value-added tax refunds, and importing vehicles. Portugal still charges a stamp tax on many transactions. Portugal is currently attempting to implement a "one-stop shopping" system to minimize red tape for Portuguese citizens. No such mechanisms are yet in place for foreign investors.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

With European monetary integration, Portugal is increasingly being integrated into a European wide financial market. As a member of the Euro-zone, Portugal now offers a much lower exchange rate risk for foreign investors than in previous years. Another benefit has been a dramatic decrease in interest rates and a greater availability of credit, particularly to Portuguese consumers and homeowners. In addition to bank lending, the private sector has access to a variety of credit instruments, including bonds. Legal, regulatory, and accounting systems are consistent with international norms.

The Portuguese Securities Market Act of 1991 provided for liberalization of capital markets in Portugal. It privatized Portugal's stock exchanges, increased requirements for greater transparency and established an autonomous Securities Market Commission (CMVM) to oversee the market. Total capitalization (stocks and bonds) of the Lisbon stock market (Bolsa de Valores Lisboa or BVL) has grown rapidly from 1.7 billion escudos in 1987 (29% of GDP) to more than 19 billion escudos in 1998 (99% of GDP). The BVL General Index rose 26% in 1998 and has grown at an annually compounded rate of approximately 11% since 1989. Despite its rapid growth, the BVL is still one of the smaller markets in Europe and is largely dominated by the shares of recently privatized state-owned firms. The Oporto Stock Exchange deals in derivatives, essentially futures and options contracts on financial instruments.

Some firms use defensive measures, such as statutes that limit voting power of certain categories of shareholders, to attempt to maintain control. Some firms attempt to prevent mergers and acquisitions that might affect their interests by invoking the tacit support of commercial regulatory authorities.

Most statutory measures are designed to protect against any potential loss of control (i.e., any hostile takeover), domestic or foreign. Defensive measures involving regulatory authorities usually involve a foreign investor. Nevertheless, an adequate tender offer for 100% of the shares can overcome most defenses. Portuguese law requires that a hostile bidder make an offer for all the shares of a target firm if the bidder seeks ownership of more than

50% of the shares. The bidder may make an offer for minority blocks of shares if he seeks less than 50% of the shares.

The assets of Portugal's banking sector are currently concentrated in five large banking groups. However, most observers believe that the number of banks in the country will be reduced through consolidation over the next several years. Attempts by foreign banks (particularly Spanish banking groups) to buy controlling interests in Portuguese banks have triggered concerns among government officials that Portugal's banking sector may be dominated by foreign bank groups in the near future. Efforts by the Portuguese governments to block such transactions, however, have been criticized by the European Commission.

POLITICAL VIOLENCE

There have been no incidents involving politically motivated damage to projects and/or installations. Potentially destructive civil disturbances are not likely.

CORRUPTION

Corruption is a relatively limited but enduring aspect of the business culture in Portugal. The "1998 Corruption Perceptions Index" published by Transparency International, ranked Portugal 22nd out of a total of 85 countries considered.

Within the EU, Portugal ranked 11th out of 15 countries on the list. It is general practice for firms operating in Portugal to hire advisers and consultants to pursue projects. In Portugal's business culture, well-developed contacts are extremely important because the Portuguese feel this lends confidence and trust to business transactions. Connected advisers are commonly employed to provide this extra measure of support. These intermediaries are often very well paid for their services. Although U.S. firms acknowledge occasional encounters with corruption in the course of doing business in Portugal, they do not identify corruption as an obstacle to foreign direct investment.

Portugal's basic law to combat corruption is Law 36/94 of September 29, 1994. This law clarifies the kinds of business and financial corruption that will be subject to criminal penalties. The penalties for acts of corruption committed in the exercise of public functions are specified in the Penal Code (Article 420). The penalties for conviction on corruption charges are one to six years in prison and/or heavy fines, depending on the nature of the crime. Primary responsibility for preventing and prosecuting corruption lies with the Public Prosecutor's Office and the Judicial Police. Within the Judicial Police, the Central Directorate for Combating Corruption, Fraud, and Financial and Economic Crimes has primary action responsibility. Portugal signed but has not ratified the OECD Convention on Combating Bribery.

LABOR

Portugal's unemployment rates have traditionally been below European averages, a condition that some observers attribute to a willingness on the part of labor unions to be flexible in negotiating wage agreements during economic downturns. That trend has continued with a Portuguese unemployment rate in the fourth quarter of 1998 of only 4.8%, considerably below the Euro-11 average of 10.6% for the same period. According to a 1996 study cited by ICEP, Portuguese workers had, on average, longer hours than those of any other European countries. Portugal has also historically had the lowest labor costs in Europe. However, according to a 1998 study by the German Institute of Economic Studies, DIW, while Portuguese labor costs are only 37.3% of those in Western Germany, Portuguese productivity is only 34.7% of West German levels.

Despite Portugal's favorable comparison to most other EU countries, one of the more common complaints of U.S. investors is that the Portuguese labor market is overly rigid. Portuguese labor law explicitly defines the conditions under which an employer can hire and fire workers. The dismissal of an employee, for example, is allowed only when his behavior makes it impossible to allow him to continue in the job. Furthermore, there are a number of restrictions on part time or temporary employment contracts.

Labor strikes are much more common in Portugal than in the United States, but are generally of a short duration. Over the last year, there have been a number of high-profile strikes in the public sector, including transportation and health. Portugal is a member of the International Labor Organization and adheres to the ILO Conventions Protecting Labor Rights. Portugal ratified and is the most recent signatory to ILO Convention 138, which establishes a minimum employment age of 15 for all economic sectors. As of January 1, 1997, the minimum working age in Portugal is 16, except for light work, thereby exceeding the ILO norm.

FOREIGN TRADE ZONES/FREE PORTS

Portugal has two foreign trade zones/free ports in the autonomous regions of the islands of Madeira and the Azores. These foreign trade zones/free ports were authorized in conformity with EU rules or incentives granted to member states. The authorized activities are industrial and commercial activities, international service activities, trust and trust management companies and offshore financial branches. Companies established in the Free Trade Zones enjoy several benefits including import/export-related benefits, financial incentives, tax incentives for investors and tax incentives for companies.

The Madeira free trade zone has had some success and is well known. The free trade zone of the Azores islands has not achieved the same degree of international acceptance as Madeira.

BILATERAL INVESTMENT AGREEMENTS

As of February, 1998, Portugal had bilateral investment treaties with twenty-five countries.

<u>Country</u>	<u>Signature</u>	<u>Publication</u>
Germany	09/16/80	07/08/81
Morocco	10/18/88	03/01/90
Cape Verde	10/26/90	04/26/91
China	02/03/92	07/23/92
Guinea-Bissau	06/14/91	10/08/92
Hungary	02/28/92	10/30/92
Poland	03/11/93	10/09/93
Romania	11/17/93	07/26/94
Czech Rep.	11/12/93	07/21/94
Brazil	02/09/94	08/10/94
Tunisia	05/11/92	11/17/94
Venezuela	06/17/94	04/15/95
Peru	11/22/94	07/15/95
Russian Fed.	07/22/94	07/21/95
Argentina	10/06/94	08/08/95
Mozambique	09/01/95	05/28/96
South Korea	05/03/95	05/28/96
Pakistan	--n/a--	10/11/96
Letonia	05/27/95	05/20/97
Rep. of Croatia	05/10/95	06/20/97
Sao Tome and Principe	05/12/95	07/18/97
Slovakia	07/10/95	09/08/97
Chile	04/28/95	12/24/97
Uruguay	07/25/97	12/30/97
Slovenia	05/14/97	01/24/98

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

The potential for significant OPIC insurance programs in Portugal is limited. Nevertheless, some U.S. firms insure with OPIC in Portugal as a matter of international corporate risk management policy. Portugal is a member of the Multinational Investment Guarantee Authority (MIGA).

FOREIGN DIRECT INVESTMENT

Foreign direct investment inflows into Portugal fell in 1998 to \$870 million, or 0.8% of GDP. Portuguese direct investment abroad, however, has soared over the last five years, reaching \$2442 million in 1998. Much of 1998's figures are attributable to investments in Brazil by formerly state-owned firms, including Portugal Telecom and EDP. However, beyond continuing strong interest in Brazil and EU countries, Portuguese firms appear to be focusing on other countries of Latin America, in Morocco and Portuguese-speaking countries in Africa, and Eastern Europe.

MAJOR FOREIGN INVESTORS

Selected Major Foreign Direct Investors in Portugal

Company	Industry	Foreign Control
Autoeuropa (Ford/Volkswagen)	Motor Vehicles and Parts	U.S./Germany
BP Portuguesa, SA	Fuel Distribution	UK
Shell Portuguesa, SA	Fuel Distribution	Netherlands/U.K.
Renault Portuguesa, SA	Motor Vehicles and Parts	France
Opel, SA	Motor Vehicles and Parts	USA
Asea Brown Boveri, SA	Construction	Sweden
G.M.A.C.	Vehicle Rental	USA
Siemens	Electrical Component Mfg.	Germany
Fiat Auto Portuguesa, SA	Motor Vehicles and Parts	Italy
Ford Electronics	Electrical Components	USA
Carrefour, SA	Food Distribution	France
Citroen-Automóveis, SA	Motor Vehicles and Parts	France
Mitsubishi, SA	Motor Vehicles and Parts	Japan
Delphi Packard	Motor Vehicles and Parts	USA
Tisep, LDA	Electronics	USA/Japan
Repsol, SA	Fuel Distribution	Spain
Peugeot Portugal, SA	Motor Vehicles and Parts	France
Sony Portugal, LDA	Electronics (trade)	Japan
IBM, SA	Electronics	USA
Lever, LDA	Soaps and Cosmetics	Netherlands
Esso Portuguesa, SA	Fuel Distribution	USA
Citroen Lusitana, SA	Motor Vehicles and Parts	France
Philip Morris (Portugal), LDA	Trade	USA
Rover, LDA	Motor Vehicles and Parts	UK
Mobil Oil Portuguesa, LDA	Fuel & Lubricants	USA
Ericsson	Telecommunications	Sweden
Hewlett-Packard, SA	Computers and Electronics	USA
Dow Portugal, SA	Chemicals	USA
Iglo, LDA	Food	Netherlands

VIII. TRADE AND PROJECT FINANCING

BRIEF DESCRIPTION OF BANKING SYSTEM

In the aftermath of the Revolution of 1974, most of the country's banking system was nationalized. However, Portugal's accession to the EC, in 1986, prompted a series of policy measures which liberalized the sector. As a result, the government's share of total shareholder equity in the banking system declined from 90% to 30% in the ten years after joining the EU. The

only major financial institution which remains in government hands is Caixa Geral de Depósitos (CGD). Five banking groups dominate Portugal's banking sector. Nevertheless, Portuguese banks remain relatively small by European standards and the next few years could witness considerable cross-border integration within the EU. Efforts by the Portuguese government to limit Spanish ownership in the Champalimaud group of banks has prompted criticism from the European Union.

Foreign businessmen should find the Portuguese banking system to be similar to those in the U.S. or other Western European countries. Portugal has transposed into national law key EU financial Directives covering banking coordination (the "community passport"), auditing on a consolidated basis, capital structure, solvency, and money-laundering. A deposit guarantee fund is in place and the Fund's resources stood at PTE 52 billion (USD 350 million) at the end of 1995. In June 1995, deposit guarantees were extended to include deposits taken by Portuguese banks in other EU countries. Banks' shares trade freely on the stock exchange.

GENERAL FINANCING AVAILABILITY

Short-term and medium-term financing are readily available. Overdrafts are the most common source of short-term finance for corporations. The issuance of commercial paper began in 1993 and has grown rapidly. The placement of bonds by corporations is the preferred medium-term financing instrument. Intercompany borrowing is also common.

EXPORT FINANCE/METHODS OF PAYMENT

Bankers acceptances and supplier credit are commonly used to finance international trade. Most international trade is handled by commercial banks. Both Exim-Bank and OPIC programs are available in Portugal, but are little used because commercial credit is widely available and political risks are not perceived to be high. Project financing from multilateral institutions such as the World Bank (IBRD) and the European Investment Bank (EIB) are available. Commercial banks also offer project financing.

PROJECT FINANCING

Contractors may be required to bring financing proposals for major projects bids on a case-by-case basis although generally the Government finances the project. Project financing is available for a wide variety of projects ranging from bridges to gas pipeline construction.

LIST OF COMMERCIAL BANKS

Banco Comercial Português, SA
Rua Augusta 62/74
1100 Lisbon, Portugal
Tel: (351-1) 342 73 81
Fax: (351-1) 342 16 77

Banco Borges & Irmao (Grupo BPI)
Praça do Municipio, 31
1100 Lisbon, Portugal
Tel: (351-1) 322 65 00
Fax: (351-1)

Banco Espírito Santo
Av. da Liberdade, 195
1250 Lisbon, Portugal
Tel: (351-1) 315 83 31
Fax: (351-1) 350 89 15

Banco Essi, SA
Torre 3, Tierno Galvan 14º
1070 Lisbon, Portugal
Tel: (351-1) 380 85 00
Fax: (351-1) 388 82 59

Banco Finantia, SA
Rua Gen. Firmino Mig, 5, 1
1600 Lisbon, Portugal
Tel: (351-1) 720 20 00
Fax: (351-1) 726 53 10

Banco Finibanco
Av. Berna, 10
1050 Lisbon, Portugal
Tel: (351-1) 790 28 00
Fax: (351-1) 790 28 01

Banco Fonecas & Burnay SA (Grupo BPI)
Praça do Comercio, 132
1100 Lisbon, Portugal
Tel: (351-1) 321 37 00

Banco Internacional de Credito
Av. Fontes Pereira de Melo, 27
1050 Lisbon, Portugal
Tel: (351-1) 311 55 55
Fax: (351-1) 314 61 65

Banco Internacional do Funchal
Av. Jose Malhoa, 1792
1070 Lisbon, Portugal
Tel: (351-1) 721 12 00
Fax: (351-1) 721 12 01

Banco Mello Comercial
Av. Jose Malhoa, 1682
1070 Lisbon, Portugal
Tel: (351-1) 720 15 00

Fax: (351-1) 720 17 66

Banco Nacional Ultramarino
Av. 5 de Outubro, 175
1050 Lisbon, Portugal
Tel: (351-1) 791 80 00
Fax: (351-1)

Banco Pinto & Sotto Mayor
Rua do Ouro, 28-3º
1100 Lisbon, Portugal
Tel: (351-1) 347 62 61
Fax: (351-1) 342 70 78

Banco Portugues do Atlantico
Rua Augusta, 84
1100 Lisbon, Portugal
Tel: (351-1) 321 10 00
Fax: (351-1) 422 44 59

Banco Santander Portugal
Praça Marques de Pombal, 2
1250 Lisbon, Portugal
Tel: (351-1) 310 70 00
Fax: (351-1) 310 72 34

Banco Totta & Açores
Rua do Ouro, 88-2º
1100 Lisbon, Portugal
Tel: (351-1) 321 15 00
Fax: (351-1) 321 31 80/1

Barclays Bank PLC
Av. da Republica, 50-2º
1000 Lisbon, Portugal
Tel: (351-1) 793 50 20
Fax: (351-1) 797 96 10

Caixa Geral de Depósitos
Lg. do Calhariz
1100 Lisbon, Portugal
Tel: (351-1) 346 03 51
Fax: (351-1) 342 13 06

IX. BUSINESS TRAVEL

BUSINESS CUSTOMS

Portugal is a country in transition culturally as well as economically. Courtesy, in business and other spheres, is simply expected and easily extended. Legal contracts don't have the strength in business associations that personal confidence, built over years of experience, offers. Aggressiveness is not yet keen in marketing because it may be interpreted as socially offensive. Pragmatism, of the American variety, is respected but only when presented as a possible option to be taken, not as an opportunity that must be breathlessly seized.

In terms of everyday business the Portuguese are correct and civil. They respect the time of their appointments and expect the same from others. They are thorough to a fault, often pouring over all the documents relative to a negotiation, and not too ready "to just hit the highlights". This is done partly to be careful (conservative) but also to demonstrate their grasp of the matter - - exhibiting pedantic merit rather than pragmatic merit. Many Portuguese speak two, often three languages, English being the preferred second language. Many have relatives in the U.S. and have visited North America.

No visas are required to visit Portugal for stays of 60 days or less. There are no travel advisories for Portugal nor have there been for many years.

LEGAL HOLIDAYS FOR 1999

January 1	- New Year's Day
January 17	- Martin Luther King JR's Birthday
February 15	- Carnival
February 21	- Washington's Birthday
April 2	- Good Friday
April 4	- Easter Sunday
April 25	- Liberty Day
May 9	- May Day
May 31	- Memorial Day
June 3	- Corpus Christi Day
June 10	- Portugal Day
June 13	- St. Anthony's Day (In Lisbon Only)
July 4	- Independence Day
August 15	- Assumption Day
September 4	- Labor Day
October 5	- Proclamation of The Portuguese Republic
October 9	- Columbus Day
November 1	- All Saint's Day
November 10	- Veteran's Day
November 23	- Thanksgiving Day
December 1	- Restoration of Portuguese Independence
December 8	- Feast of the Immaculate Conception
December 25	- Christmas Day

BUSINESS INFRASTRUCTURE

Portugal has direct airline connections from Lisbon with all the major cities in the European Union, New York, Boston and Newark in the United States, a number of Portuguese-speaking countries in Africa, and with the major cities in Brazil. Porto serves fewer cities directly in the European Union, none in North America, but does serve major cities in Brazil.

English is a widely spoken second language in Portugal and American business travelers can expect to conduct their meetings with business and government contacts in English.

Portugal is a fully "wired" country with regard to communications, making available all the services found anywhere else in Europe: long-distance calls on Stateside credit cards; cellular telephones (can be rented from Telecel at the airport departures area); video-conferencing in state-of-the-art facilities; Internet services; e-mail, etc.

Housing in Portugal is at European standards but so are the rents. Executive location costs in Portugal are now in the same category as any major commercial center in the European Union.

Health care in Portugal is a constitutional right which means that the public health facilities are overburdened and therefore not able to offer the level of service considered normal in the United States. There are a number of private clinics and small private hospitals that are adequate.

Food supplies are plentiful though there are seasonal variations in prices for perishable items. Supermarkets are fully stocked. Prices are very close to those found in the United States and often exceed them for packaged goods.

X. ECONOMIC AND TRADE STATISTICS

APPENDIX A. COUNTRY DATA

(All figures USD millions except where noted)

1. Profile

Population:	9 .9 million
Population growth rate:	0.0 %
Religion(s):	Predominantly Roman Catholic
Government system:	Parliamentary Democracy
Language(s):	Portuguese
Work week:	40 hours

Appendix B: Domestic Economy

(All figures in million USD unless otherwise noted)

	1997	1998	1999
GDP	101896	106787	108613
GDP Growth Rate, Percent	3.4%	3.9%	3.0%
GDP Per Capita, \$U.S.	10864	11368	11541
Government Spending as a Percent of GDP	46.2%	46.2%	46.5%
Inflation (Consumer Price Index), %	2.2%	2.8%	2.8%
Unemployment, Percent	6.7%	5.0%	4.8%
Foreign Exchange Reserves (1)	15122	15054	7000
Average Exchange Rate, Escudos/USD	175	180	188
Foreign Debt Service Ratio	3.4%	3.3%	3.4%

Note: (1) 1999 numbers are not comparable to earlier years due to European Monetary Union

Appendix C: Trade

(All figures in million USD unless otherwise noted)

Total Exports, FOB	23929	24158	23895
Total Imports	35022	36884	35842
U.S. Exports to Portugal	1104	1051	904
U.S. Imports from Portugal	1119	1188	1250

Appendix D:

Foreign Direct Investment Inflows into Portugal; Industry Sector Destination

(in millions of U.S. Dollars unless otherwise noted)

Year	1996	1997	1998
Total Foreign Direct Investment	707.5	1727.8	870.1
As a % of Capital Formation	2.7%	6.6%	3.1%
As a % of GDP	0.6%	1.7%	0.8%

Breakdown By Type:

Establishment of new companies	17.4	16.9	13.2
Equity Increases	653.0	263.4	560.1
Purchase of establishments	-23.7	350.9	88.6
Loans & Additional Capital	-142.4	912.7	10.9
Real Estate	109.8	111.6	178.6
Other	93.4	72.3	18.7

Breakdown by Sector

Agriculture, Forestry, Fishing	11.1	4.7	4.7
Mining and Quarrying	3.7	0.6	-0.7
Manufacturing	-79.1	-26.7	-460.7
Electricity, Gas and Water	-86.9	-104.9	291.5
Construction & Public Works	19.8	-13.1	10.5
Wholesale & Retail Trade	247.2	608.8	132.8
Transport & Communications	48.2	580.2	34.4
Banks & Financial Services	477.8	602.0	787.7
Other	65.6	76.3	69.9

Breakdown by Country of Origin

Germany	-73.1	222.9	84.5
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Spain	578.4	450.0	408.4
France	74.7	103.0	-119.4
U.K.	193.5	89.1	126.3
Other EU Countries	9.4	229.6	1.1
Total EU	783.0	1094.5	500.9
U.S.	-120.8	460.2	224.1
Japan	7.7	3.4	4.2
Switzerland	152.9	-47.3	40.7
Other Non-EU Countries	-115.2	217.0	100.1
Total Non-EU	-75.5	633.3	369.1

Portuguese Direct Investment Abroad

(in millions of U.S. Dollars unless otherwise noted)

Year	1996	1997	1998
Total Foreign Direct Investment	765.1	1656.2	2442.9
Breakdown By Type:			
Establishment of new companies	69.3	47.4	35.4
Equity Increases	169.5	504.9	1169.6
Purchase of establishments	386.5	760.7	932.7
Loans & Additional Capital	67.0	247.2	196.3
Real Estate	28.6	29.5	24.1
Other	44.0	66.4	84.8
Breakdown by Sector			
Agriculture, Forestry, Fishing	0.5	4.8	14.8
Mining and Quarrying	0.0	0.0	0.1
Manufacturing	216.7	371.1	210.8
Electricity, Gas and Water	225.7	-1.1	702.9
Construction & Public Works	4.9	1.9	33.6
Wholesale & Retail Trade	17.3	136.3	407.0
Transport & Communications	6.5	219.2	187.6
Banks & Financial Services	261.0	908.9	874.5
Other	32.6	15.1	11.7
Breakdown by Country of Origin			
Germany	12.9	0.8	67.7
Spain	73.1	275.2	283.7
France	1.3	41.8	19.5
U.K.	9.7	46.4	29.0
Other EU Countries	131.6	448.9	661.5
Total EU	228.5	813.2	1061.3
U.S.	41.2	37.2	65.2
Japan	0.0	0.0	0.1
Switzerland	1.9	3.6	4.4
Other Non-EU Countries	493.4	802.2	1311.8
Total Non-EU	536.6	843.0	1381.6

APPENDIX E. U.S. AND COUNTRY CONTACTS

- U.S. Embassy Trade Related Contacts

Lisbon - Commercial Service
American Embassy
Av. das Forças Armadas
Sete Rios
1600 Lisbon, Portugal
Phone: (351-1) 727 3300
Fax: (351-1) 726 8914

or

Commercial Section
American Embassy
PSC 83 Box FCS
APO AE 09726

Robert M. Shipley
Commercial Attache
Ext. 2526

Porto - Commercial Services - Porto
Av. da Boavista, 3523, 5º sala 501
4150 Porto, Portugal
Phone: (351-2) 618 6607
Fax: (351-2) 618 6625

Adolfo Coutinho
Commercial Specialist
Showcase Europe World Wide Web: www.sce.doc.gov

Aubrey Verdun
Chief, Economic Section
Ext. 2240

Robert Wicks
Agricultural Counselor
Ext. 2358
(resident in Madrid)

OCD:

Office of Defense Cooperation
(same address as The Commercial Service)
Tel: (351-1) 770-2276,
Fax: (351-1) 726-8913

For International Mail:

PSC 83
APO AE 09726

Contact:

Chief, ODC: Capt Roy Merrill (USN), ext. 2277
Chief, Army Section: Maj. Scott Barker(USA), ext. 2251
Chief, Air Force Section: Lt. Col. Susan Kaufman (USAF), ext, 2256
Chief, Navy Section: Cdr. Carol Desmarais (USN), ext. 2261

- Washington-Based USG Country Contacts

Ann Corro
USDOC, Portugal Desk Officer
14th & Constitution Ave., NW
Room 3042
Washington, D.C. 20230
Tel: (202) 482-3945
Fax: (202) 482-2897

- Amcham and Bilateral Business Councils

Portugal-U.S. Chamber of Commerce
5 West 45th Street
New York, NY 10036
Tel. (212) 354-4627
Fax: (212) 575-4737

American Chamber of Commerce in Portugal
Rua D. Estefânia, 155-5.E
1000 Lisbon, Portugal
Tel: (351-1) 357 25 61
Fax: (351-1) 357 25 80
Contact: Dr. Brito do Rio, Executive Secretary

- Country Trade or Industry Associations in Key Sectors

Associação Comercial de Lisboa
(Lisbon Commercial Association)
Rua das Portas de Santo Antão, 89
1150 Lisbon
Tel: (351-1) 342 32 77
Fax: (351-1) 342 43 04

Câmara de Comércio e Indústria do Porto
(Porto Commercial Association)
Palácio da Bolsa
Rua Ferreira Borges

4000 Porto
Tel: (351-2) 339 90 00
Fax: (351-2) 339 90 90

Associação Industrial Portuguesa
(Portuguese Industrial Association)
Praça das Indústrias, Apt. 3200
1301 Lisbon Codex
Tel: (351-1) 360 10 00
Fax: (351-1) 363 90 47

R. Oliveira Monteiro, 453
4050 Porto
Tel: (351-2) 600 64 48
Fax: (351-2) 606 49 82

Associação Industrial Portuense
(Porto Industrial Association)
Exponor
Feira International do Porto
4450 Leça da Palmeira
Tel: (351-2) 996 15 30
Fax: (351-2) 996 42 13

Confederação dos Agricultores de Portugal (CAP)
Av. Colegio Militar, Lt. 1786
1500 Lisbon
Tel: (351-1) 710 00 00
Fax: (351-1) 716 61 23

Confederação do Comércio Português (CCP)
Av. Vasco da Gama, 29
1400 Lisbon, Portugal
Tel: (351-1) 302 05 08/60
Fax: (351-1) 302 06 15

Confederação da Indústria Portuguesa (CIP)
Av. 5 de Outubro, 35 - 1_
1050 Lisbon, Portugal
Tel: (351-1) 354 74 54
Fax: (351-1) 354 50 94

American Chamber of Commerce in Portugal
Rua D. Estefania, 155-5
1000 Lisbon, Portugal
Tel: (351-1) 357 25 61
Fax: (351-1) 357 25 80

- Portuguese Government Agencies

Ministry of Agriculture, Rural Development and Fisheries (MADRP)

(Ministerio da Agricultura, Desenvolvimento Rural e Pescas)

Praça do Comércio

1100 Lisbon, Portugal

Tel: (351-1) 346 31 51

Fax: (351-1) 347 78 90

Direcção Geral de Fiscalização e Controlo da Qualidade Alimentar

(General Directorate for Food Quality Control and Supervision)

Av. Conde de Valbom, 98

1050 Lisbon, Portugal

Tel: (351-1) 798 36 00

Fax: (351-1) 798 38 34

Secretario de Estado de Agricultura e Desenvolvimento Rural

(Secretary of State for Agriculture and Rural Development)

Praça do Comércio

1100 Lisbon, Portugal

Tel: (351-1) 346 33 66

Fax: (351-1) 342 03 71

IFADAP - Instituto Financeiro de Apoio ao Desenvolvimento

da Agricultura e Pescas

(Institute of Finance for Agricultural and Fishing Development)

Av. João Crisóstomo, 11

1000 Lisbon, Portugal

Tel: (351-1) 311 62 00

Fax: (351-1) 352 80 30

Secretaria de Estado das Pescas

(Secretary of State for Fishing)

Av. Brasília, (Alges, Praia)

1400 Lisbon, Portugal

Tel: (351-1) 301 33 91

Fax: (351-1) 301 65 16

Direcção Geral de Pescas

(General Directorate for Fishing)

Edifício Vasco da Gama

Doca de Alcântara

1350 Lisbon, Portugal

Tel: (351-1) 391 35 83

Fax: (351-1) 397 97 90/1

Ministry of Environment

Ministerio do Ambiente

(Ministry of the Environment)

Rua do Século, 51-2º

1200 Lisbon, Portugal

Tel: (351-1) 323 25 00

Fax: (351-10) 323 25 31

Secretário de Estado do Ambiente e do Consumidor
(Secretary of State for the Environment)
Rua do Século, 51-2º
1200 Lisbon, Portugal
el: (351-1) 323 15 00
Fax: (351-1) 323 25 88

Direcção Geral do Ambiente
(General Directorate for the Environment)
Murgueira, Zambujal
Alfragide
2720 Amadora, Portugal
Tel: (351-1) 472 8200
Fax: (351-1) 471 9074

Instituto da Água
(Water Institute)
Av. Almirante Gago Coutinho, 30
1000 Lisbon, Portugal
Tel: (351-1) 843 00 00
Fax: (351-1) 847 35 71

Instituto de Meteorologia
(Institute of Meteorology)
Rua C, 5- Aeroporto de Lisboa
1700 Lisbon, Portugal
Tel: (351-1) 848 39 61
Fax: (351-1) 840 23 70

Ministry of Economy (ME)

Direcção-Geral das Relações Económicas e Internacionais
(General Directorate of Economic and International Relations)
Av. da Republica, 79-5_
1050 Lisbon, Portugal
Tel: (351-1) 793 30 02
Fax: (351-1) 793 05 08

Investimento, Comércio e Turismo de Portugal - ICEP
Av. 5 de Outubro, 101/103
1050 Lisbon Codex, Portugal
Tel: (351-1) 790 95 00
Fax: (351-1) 795 00 38

Direcção Geral do Turismo
(General Directorate of Tourism)
Av. António Augusto de Aguiar, 86
1050 Lisbon, Portugal
Tel: (351-1) 357 50 86
Fax: (351-1) 353 85 19

Instituto Nacional de Engenharia e
Tecnologia Industrial
(High-Tech Institute)
Estrada do Paço do Lumiar
1649-038 Lisboa Codex, Portugal
Tel: (351-1) 716 51 41
Fax: (351-1) 716 09 01

Praça do Principe Real, 19
1269 Lisboa, Portugal
Tel: (351-1) 322 47 10
Fax: (351-1) 342 33 62

Instituto Nacional Geológico e Mineiro
(Director of Mines and Geological Services)
Rua Almirante Barroso, 38
1049-025 Lisboa, Portugal
Tel: (351-1) 353 75 96
Fax: (351-1) 353 77 09

Secretário do Estado da Indústria e Energia
(Secretary for Industry)
Av. da Republica, 79-9.
1050-243 Lisbon, Portugal
Tel: (351-1) 791 17 50
Fax: (351-1) 796 34 27

Direcção-Geral da Indústria
(General Directorate of Industry)
Av. Conselheiro Fernandes Sousa, 11
1070 Lisbon, Portugal
Tel: (351-1) 389 00 00
Fax: (351-1) 383 10 42

IAPMEI - Instituto de Apoio às Pequenas e Médias
Empresas e ao Investimento
(Industrial Small Business Institute)
Rua Rodrigo da Fonseca, 73
1099-063 Lisbon, Portugal
Tel: (351-1) 383 60 00
Fax: (351-1) 383 62 83

Direcção Geral de Energia
(General Directorate of Energy)
Av. 5 de Outubro, 87
1069-039 Lisboa, Portugal
Tel: (351-1) 792 27 00
Fax: (351-1) 793 95 40

Instituto Nacional de Propriedade Industrial
(National Institute of Industrial Property)
Campo das Cebolas

1149-035 Lisboa, Portugal
Tel: (351-1) 888 11 01
Fax: (351-1) 887 53 08

Instituto Portugues da Qualidade
(Portuguese Quality Institute)
Rua Antº Galvão, 2
2829 Monte da Caparica, Portugal
Tel: (351-1) 294 81 00
Fax: (351-1) 294 81 01

Ministry of Work and Solidariety
Ministério do Trabalho e da Solidariedade
(Ministry of Labor)
Praça de Londres, 2
1000-190 Lisboa, Portugal
Tel: (351-1) 844 17 00
Fax: (351-1) 844 18 18

Inspecção Geral do Trabalho
(Inspector General of Employment)
Praça do Alvalade, 1-1º
1700 Lisbon, Portugal
Tel: (351-1) 797 51 76
Fax: (351-1) 795 70 58

Direcção Geral do Emprego e Formação Profissional
(General Directorate of Employment)
Praça de Londres, 2
1000-190 Lisboa, Portugal
Tel: (351-1) 844 11 00
Fax: (351-1) 847 00 27

Instituto do Emprego e Formação Profissional
(Institute of Employment)
Av. José Malhoa, 11
1099-018 Lisbon, Portugal
Tel: (351-1) 722 70 00
Fax: (351-1) 722 70 09

Ministry of Finance (MF)
Ministério das Finanças
(Ministry of Economy and Finance)
Av. Infante D. Henrique, 1
1100-278 Lisboa, Portugal
Tel: (351-1) 888 46 75
Fax: (351-1) 886 23 60

Gabinete do Secretário de Estado Orçamento

(Secretary of State for the Budget)

Av. Infante D. Henrique

1100 Lisbon, Portugal

Tel: (351-1) 888 46 75

Fax: (351-1) 886 36 58

Direcção Geral de Estudo e Previsão

(General Directorate of Study and Prevision)

Rua da Alfândega, 5-2º

1100 Lisbon, Portugal

Tel: (351-1) 881 11 95

Fax: (351-1) 887 82 27

Direcção Geral das Alfandegas

(Customs Directorate)

Rua da Alfandega, 5

1149-006 Lisboa, Portugal

Tel: (351-1) 886 81 85

Fax: (351-1) 887 83 35

Ministry of Justice (MJ)

Ministerio da Justiça

(Ministry of Justice)

Praça do Comercio

1149-019 Lisboa, Portugal

Tel: (351-1) 322 23 00

Fax: (351-1) 346 76 92

Registo Nacional das Pessoas Colectivas

(National Registry)

Praça Silvestre Pinheiro Ferreira, 1-C

Apartado 1501-803 Lisboa, Portugal

Tel: (351-1) 774 12 75

Fax: (351-1) 778 3724 / 774 12 64

Ministry of Equipment, Planning and Territorial Administration (MEPAT)

Ministerio do Equipamento, Planeamento e Administracao do Territorio

Rua de S. Mamede ao Caldas, 21

1100-533 Lisboa, Portugal

Tel: (351-1) 886 11 19

Fax: (351-1) 886 18 95

Secretario de Estado dos Transportes

(Secretary of State for Transportation)

Rua de S. Mamede ao Caldas, 21

1149-050 Lisbon, Portugal

Tel: (351-1) 886 11 19

Fax: (351-1) 886 18 95

Secretario de Estado das Obras Publicas
(Secretary of State of Public Works)
Rua de S. Mamede ao Caldas, 21
1149-050 Lisbon, Portugal
Tel: (351-1) 886 11 19
Fax: (351-1) 886 23 16

Secretaria do Estado da Habitação e Comunicações
(Secretary for Housing and Communication)
Rua de S. Mamede ao Caldas, 21
1149-505 Lisbon, Portugal
Tel: (351-1) 886 50 77
Fax: (351-1) 886 23 00

Direcção-Geral de Aviação Civil
(General Directorate of Civil Airlines)
Ed. 4/6, Rua B, Aeroporto de Lisboa
1700 Lisbon, Portugal
Tel: (351-1) 842 35 00
Fax: (351-1) 840 23 98

Direcção-Geral de Transportes Terrestres
(General Directorate of Overland Transportation)
Av. Forças Armadas, 40
1649-022 Lisbon, Portugal
Tel: (351-1) 794 90 00
Fax: (351-1) 793 62 57

Instituto das Comunicações de Portugal
(Institute of Communication)
Av. Jose Malhoa, 12
1099-017 Lisbon, Portugal
Tel: (351-1) 721 00 14
Fax: (351-1) 721 10 01

Laboratorio Nacional de Engenharia Civil
(National Laboratory of Civil Engineering)
Av. do Brasil, 101
1700-066 Lisbon, Portugal
Tel: (351-1) 848 21 31
Fax: (351-1) 849 76 60

Instituto Nacional de Estatística
(National Institute of Statistics)
Av. Antonio Jose de Almeida
1000-043 Lisbon, Portugal
Tel: (351-1) 842 61 00
Fax: (351-1) 842 63 80

Fundação para a Ciência e a Tecnológica
(Science and Technology Foundation)

Av. D. Carlos I, 126-2º
1200-651 Lisbon, Portugal
Tel: (351-1) 392 43 00
Fax: (351-1) 390 74 81

Ministry of Health (MS)

Ministerio da Saude
(Health Ministry)
Av. João Crisostomo, 9
1093 Lisbon, Portugal
Tel: (351-1) 330 50 00
Fax: (351-1) 330 50 03

Secretario de Estado da Saude (Secretatry of State for Health)
Av. João Crisostomo, 9-5º
1000 Lisbon, Portugal
Tel: (351-1) 354 45 60
Fax: (351-1) 353 66 87

Direcção Geral de Saude
(General Directorate of Health)
Alameda D. Afonso Henriques, 45
1049-005 Lisbon Codex, Portugal
Tel: (351-1) 843 05 00
Fax: (351-1) 843 05 30

Misterio da Defesa

Director Nacional do Armamento
e Equipamento
Avenida Ilha da Madeira 1
1400 Lisboa, Portugal
Tel: (351-1) 301 00 01

Army:
Divisão de Logistica
Estado-Maior do Exército
Rua Museu de Artilharia
1100 Lisboa, Portugal
Tel: (351-1) 888 21 31

Navy:
Chefe de Divisão de Logistica
Estado-Maior da Armada
Praça do Comércio
1100 Lisboa, Portugal
(351-1) 347 62 38

Air Force:
Chefe da Quarta Divisão (Logistica)

Estado-Maior da Força Aérea
Avenida Leite de Vasconcelos
Alfragide
2720 Amadora, Portugal
Tel: (351-1) 471 57 94

Offsets:

Empresa Portuguesa de Defesa
(Empordef)
Avenida Júlio Dinis, 9-11
1050 Lisboa, Portugal

Investimentos, Comércio e Turismo de Portugal (ICEP)
Direcção de Desenvolvimento de Mercados
Avenida 5 de Outubro, 101
1050 Lisboa, Portugal
Tel: (351-1) 790 95 00

Banks and Stock Exchange

Banco de Portugal
Rua Francisco Ribeiro, 2
1150-165 Lisbon, Portugal
Tel: (351-1) 346 29 31
Fax: (351-1) 346 48 43

Bolsa de Valores de Lisboa
(Lisbon Stock Exchange)
Rua Soeiro Pereira Gomes
Edifício da Bolsa
1649-017 Lisbon, Portugal
Tel: (351-1) 790 99 04
Fax: (351-1) 795 20 22

Bolsa de Valores do Porto
(Porto Stock Exchange)
Av. da Boavista, 3433
4149-017 Porto, Portugal
Tel: (351-2) 618 58 58
Fax: (351-2) 618 55 66

LIST OF COMMERCIAL BANKS

Banco Comercial Português, SA
Rua Augusta 62/74
1100 Lisbon, Portugal
Tel: (351-1) 342 73 81

Fax: (351-1) 342 16 77

Banco Borges & Irmão (Grupo BPI)
Praça do Município, 31
1100 Lisbon, Portugal
Tel: (351-1) 322 65 00
Fax: (351-1)

Banco Espírito Santo
Av. da Liberdade, 195
1250 Lisbon, Portugal
Tel: (351-1) 315 83 31
Fax: (351-1) 350 89 15

Banco Essi, SA
Torre 3, Tierno Galvan 14º
1070 Lisbon, Portugal
Tel: (351-1) 380 85 00
Fax: (351-1) 388 82 59

Banco Finantia, SA
Rua Gen. Firmino Mig, 5, 1
1600 Lisbon, Portugal
Tel: (351-1) 720 20 00
Fax: (351-1) 726 53 10

Banco Finibanco
Av. Berna, 10
1050 Lisbon, Portugal
Tel: (351-1) 790 28 00
Fax: (351-1) 790 28 01

Banco Fonecas & Burnay SA (Grupo BPI)
Praça do Comércio, 132
1100 Lisbon, Portugal
Tel: (351-1) 321 37 00

- Country Market Research Firms

A.C. Nielsen Co.
Rua D. Filipa Vilhena 38-3º
1049-004 Lisbon, Portugal
Tel: (351-1) 781 12 00
Fax: (351-1) 781 14 45

CEMASE
Av. Marquês de Tomar, 106, 3º E
1050-158 LISBOA
Tel: 351-1/793-2129

Fax: 351-1/796-5644

Consulmark - Gabinete Consultor de Marketing Lda.
Rua Pascoal de Melo 67-4º
1000-232 Lisbon, Portugal
Tel: (351-1) 843 90 62
Fax: (351-1) 843 90 62

Data E
Av. da Liberdade 244, 6
1250-149 LISBOA
Tel: (351-1) 355 32 80
Fax: (351-1) 356 09 51

Dun & Bradstreet Lusitana, Lda.
Rua Barata Salgueiro, 28, 3º
1250-044 LISBOA
Tel: (351-1) 314 66 36
Fax: (351-1) 315 75 51

Ecotel Portugal - Estudos de Mercado SA
Rua Alexandre Herculano, 9-4.
1150-005 Lisbon, Portugal
Tel: (351-1) 354 32 69
Fax: (351-1) 354 32 83

ESEO - E M Estudos de Mercado Lda.
Rua Marques da Fronteira, 76-5º
1070 Lisbon, Portugal
Tel: (351-1) 385 81 81
Fax: (351-1) 388 12 77

MARKTEST - Marketing, Organização e Formação Lda.
Rua S. José 183-2º
1169-116 Lisbon, Portugal
Tel: (351-1) 354 32 69
Fax: (351-1) 354 32 83

SELGEC
Rua Alexandre Herculano, 39, 1 D
1250-009 LISBOA
Tel: (351-1) 351 14 90
Fax: (351-1) 351 14 98

PUBLICATIONS

The following publications are useful sources of economic and commercial information:

Area Handbook for Portugal
Superintendent of Documents
U.S. Government Printing Office

Washington, D.C. 20402

TOP Export of Portugal

(English-Portuguese)

Jovitur, Lda.

Av. Infante Santo, 23 3 B

1300 Lisbon, Portugal

Estatísticas Indústrias

(Industrial Statistics)

Anuário Estatístico

(Statistical Yearbook)

Estatísticas do Comércio Externo

(Foreign Trade Statistics)

Instituto Nacional de Estatística

Av. Antonio Jose de Almeida

1000 Lisbon, Portugal

OECD Economic Surveys--Portugal

OECD Publications Center

1750 Pennsylvania Avenue, N.W.

Washington, D.C. 20006

International Customs Journal--Portugal

International Customs Tariff Bureau

Rue de l'Association, 38

B-1000 Brussels, Belgium

Business Report

Portugal-U.S. Chamber of Commerce

590 Fifth Av., third floor

New York, NY 10036

Tel: 212 354 4267

Fax: 212 575 4737

Contact: Ana Osorio, Exec. Dir.

APPENDIX F. MARKET RESEARCH

List of Available Industry Subsector Analysis ISAs

ISA - Analytical and Scientific Instruments, January, 1998

ISA - Auto Parts and Services, February, 1998

ISA - Telecommunications Equipment, March, 1998

ISA - Computer Software, March, 1998

ISA - Airport and Ground Support Equipment, April, 1998

List of Upcoming Industry Subsector Analysis (ISAS)

Automotive Parts and Accessories, December 1999
Internet Services, January 2000
Analytical and Scientific Instruments, February 2000
Franchising, February 2000
Computers, March 2000
Renewable Energy, April 2000
Solid Waste Recycling Equipment, April 2000
Dental Equipment and Supplies, April 2000
Travel and Tourism Trends in Portugal, July 2000
Air Pollution Control Equipment and Instrumentation, July 2000

A complete list of market research is available on the National Trade Data Bank.

APPENDIX G. TRADE EVENT SCHEDULE

DATE	EVENT	CITY	SCE
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